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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

FBIS

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29 October 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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CPCZ'S JAKES : DRESSES GENERAL COMMITTEE ON CEMA ECONOMY

LD061056 Prague Domestic Service in Czech 0600 GMT 6 Oct 84

[Text] We shall now acquaint you with the speech by Comrade Milos Jakes, Presidium member and secretary of the party Central Committee, at the 11th Session of the party Central Committee:

Comrade Milos Jakes spoke about the CEMA economic summit meeting in Moscow. He said the meeting assessed the results of the CEMA member-countries in economic and social development. Since the previous economic summit meeting in 1969, the economic base of the socialist community has considerably strengthened. Its economic, scientific and defense potential has grown and extensive social programs have been implemented. In the last 15 years the volume of industrial production of member-countries doubled, while the industrially advanced capitalist countries increased their production by less than one-third. With the joint efforts of the member-countries large industrial and energy producing complexes have been built, extensive specialization of production of a number of important products has been introduced, production and scientific-technical cooperation has been successfully developing. The favorable results which the CEMA countries have been achieving in spite of unfavorable developments on the world market, Comrade Milos Jakes emphasized, are convincing proof of the possibilities and strength of the economy of the socialist community.

The complexity and exceptional gravity of the current international economic and military-political situation have been justly reflected in the fact that the meeting paid particular attention to the development of the international situation. The adopted declaration on the preservation of peace and on international economic cooperation contains the joint program for normalizing international economic and military-political situation have been justly reflected in the fact that the meeting paid particular attention to the development of the international situation. The adopted declaration on the preservation of peace and on international economic cooperation contains the joint program for normalizing international economic relations and removing all obstacles on the way to their development.

The meeting mapped out the strategy of economic development and cooperation of the member states up to the end of the century. It is, in particular, a speedy change of economies to intensive development. Great emphasis is put

on speeding up the process of gradually equalizing the standard of economic development of the CEMA countries, particularly Cuba, Mongolia and Vietnam, with the standard of the European members of the council. The key role in the further development of further cooperation rests in improving the coordination of the overall economic policy of the CEMA countries. Coordination of economic plans will continue to be the main tool for this purpose.

Among the key tasks of issues coordinated in their many aspects are such actions as the building of nuclear power plants, securing the supplies of raw materials, and of fuel-energy resources, the construction of the gas pipeline from Siberia to the western border of the USSR, and others.

Scientific-technical progress is of major importance. The meeting decided to prepare a complex program which will become the base of a joint scientific-technical policy for next 15-20 years.

With regard to further developing agricultural production, Comrade Milos Jakes said, the meeting also adopted measures for this sphere of cooperation. The demand to strengthen the self-sufficiency of foodstuff production, to secure stability and permanent growth of agricultural production remains at the forefront of attention. (?Attention will also be given) to direct relations on the level of industries, sectors and plants.

In implementing the conclusions of the CEMA summit, economic relations between the Soviet Union and the other CEMA states have key importance. They are among the main factors and formation of the structure of cooperation and in this way of the economic development of individual member states. Czechoslovakia will participate in the construction of necessary capacities for securing the necessary supplies of raw material and energy from the USSR [word indistinct].

At the end of his speech, Comrade Milos Jakes expressed the conviction that consistent implementation of the adopted measures will make a significant contribution to the successful construction of an advanced socialist community in our country and increasing the economic strength of the CEMA countries, strengthening their unity and their joint effort in the struggle for world peace.

CSO: 2400/27

POLISH, BULGARIAN PROFESSIONAL ENGINEER ASSOCIATIONS COMPARED

Warsaw PRZEGLAD TECHNICZNY in Polish No 33, 12 Aug 84 pp 37, 38

[Interview with Prof Ivan Popov, chairman of the Central Council of Scientific-Technical Unions and member of the Bulgarian Academy of Sciences, by Daniela Baszkiewicz: "Engineers, Robots, and Interferon"]

[Text] Recently, at the invitation of the Main Administration of NOT [Chief Technical Organization], Poland was visited by a delegation from the Central Council of Scientific-Technical Unions [ZNT] of the People's Republic of Bulgaria.

Daniela Baszkiewicz spoke with Prof Ivan Popov, chairman of the Central Council of Scientific-Technical Unions and a member of the Bulgarian Academy of Sciences.

[Question] Do you feel yourself to be more of an engineer or a scientist?

[Answer] I am an engineer, a scientist, and an activist. The beginnings of my professional career were not in "engineering," however--before the war I graduated from the mathematics department of the University of Sofia. Also before the war--I don't even want to say how long ago--after a stint as a graduate student in the department of mathematical analysis, I left for Toulouse to study engineering. After receiving a diploma in electrical engineering in France, I worked for another 3 years in industrial plants in Paris.

[Question] Later there was scientific work, the war, and after it ended again science, politics, and social posts. You were the deputy premier of the People's Republic of Bulgaria, and then minister of the machine-building industry....

[Answer] Yes, and if I tell you the date of my return from France to Bulgaria--1934--it will be known at once that my career has not been one of the shortest.

[Question] For a good 2 years now you have been the head of a scientific-technical organization which, like our NOT, unites engineering personnel; you can thus see as if on the palm of your hand the differences between our NOT and the Bulgarian Unions.

[Answer] The purposes of both organizations are the same, and with regard to the differences, it is possible to point out a few that stand out. For example, our unions do not have separate associations "below" in the basic divisions of representation; in an industrial plant, all engineers and technicians participate in ZNT, regardless of their specialization.

The associations function under the Central Council, as ZNT sections sponsoring only separate professions. Furthermore, NOT, as a federation of associations, does more coordinating than guiding, while ZNT simply "governs" the subordinate local organizations.

NOT gives me the impression of something like a professional engineers' union, or maybe more a federation of very energetic creative groups.

[Question] You said very energetic, but after all ZNT, with a large number of members for a society of 8 million, seems to be more energetic.

[Answer] Actually, in a country with a population several times smaller, we have only half as many members as NOT, i.e., 360,000. Polish engineers, however, are unusually active in their associations, as I have been able to ascertain.

[Question] Our engineers, however, are subjected to very strong social pressure. Recently, together with scientists, they have had to explain themselves before the public for "not countering the crisis actively enough." In Bulgaria, are they also burdened with responsibility for the intensification of the technological gap?

[Answer] I do not remember anything like that taking place in Bulgaria. Of course certain attitudes of engineers are condemned, for example functional ones, but concrete errors are pointed out to them. Fairly sharply, but nevertheless concretely. But should an entire community explain itself to society?

[Question] Isn't there a gap in Bulgaria, to which the engineers have at least partially contributed?

[Answer] After all, it is not a question of responsibility for the gap, since it is no secret to anyone that differences exist in the technological level between us and the most industrialized countries of the West: 500 years of Turkish bondage and the long period of the emergence from feudalism had to have an effect, and thus the gap exists. Only in Bulgaria the engineers are not burdened with the responsibility for it. Technicians still have high social status, and the citizens rest their hopes for an increasingly higher standard of living on them. The fact that the standard of living has risen is perceived by all Bulgarians. Furthermore, the role of the engineer increases in Bulgaria the more the West shuts the socialist countries off from its technology. I assume that public opinion is simply proceeding from the assumption that in order to progress toward the forefront it is necessary to respect one's engineers. An engineer, even a poor one, stops being any kind of professional if he is continually abused, without

any consideration for all the factors governing his activity. And a good engineer who is being attacked stops being creative.

To tell the truth, I do not see any sense in attacks on engineers in Poland--traditionally an engineering country, with good and very committed personnel. You have a human potential that can only be envied. I have encountered such opinions not only in Bulgaria.

[Question] Your country is considered today to be one of the small ones in the socialist family that has managed to save its purse and preserve its independence from Western technology. At the same time, Bulgaria is known as an importer of licenses, good ones and ones that contribute to specialization. What is Bulgaria specializing in today?

[Answer] In speaking of specialization, one should have in mind specialization within CEMA. Such specialization does not exclude exports to other areas, but it serves mainly the socialist countries.

[Question] And so what is Bulgaria specializing in?

[Answer] Recently, mostly in industrial electronics and computer technology; in comparison with Poland, it is worse in so-called small electronics, for example radio receivers and radio-tape recorders. Bulgaria's present share in trade in industrial electronics and digital equipment--in the CEMA market--is 45 percent.

[Question] And you export a bit of this electronics to the West?

[Answer] The exports are minimal. We realize that offers to the West would be like bringing coals to Newcastle.

In addition to industrial electronics and the digital machinery industry, we are developing industrial robotics as a specialization--based on several Japanese licenses. We have created several scientific centers that are developing robotics--at the Bulgarian Academy of Sciences and at polytechnical institutes--and a large test area in the form of factories in Stara Zagora. There they mainly produce manipulators exported in large quantities to the USSR. In addition, we are specializing in the construction of automated industrial systems--nearly workerless factories. At this time there are two workerless systems operating in Bulgaria, employing 10-20 people each, including one in the above-mentioned Stara Zagora. They produce parts for the robots manufactured in Bulgaria.

And there are still other specializations: the most future-oriented area is biotechnology serving medicine. I am thinking above all of the production of antibiotics, enzymes, and hormones, through the methods of genetic engineering.

[Question] Should we then have hopes that sometime we will buy Bulgarian interferon?

[Answer] We are also aiming at interferon, but I would not like to jinx it....

[Question] Since you are speaking about specializations, you are leaving out the traditional areas in which Bulgaria has been foremost for years--battery carts, pneumatics, and hydraulics.

[Answer] I cannot go back to such old matters as carts and pumps. So much has already been written about them.

[Question] Since we should not talk about pumps, maybe it is worthwhile to talk about personal computers. When does Bulgaria expect its own?

[Answer] It already has them. Not literally personal ones, for the time being, since they are too big and too expensive, and thus only useful in enterprises. An expenditure of 2,500 leva (a quarter of a million zlotys) is enormous even for the wealthiest private pocket in Bulgaria.

But on the other hand we have already planned the production of small computers, for school use, that we want to introduce systematically into education programs in the near future. It is still not known how much they will cost, but certainly not too much.

[Question] When will production begin?

[Answer] Next year, I hope.

[Question] Let us go back to Poland. What was the purpose of your visit to NOT, besides courtesy?

[Answer] We signed a new bilateral agreement on cooperation for the years 1985-1986. The list of areas for this cooperation covers all of 30 items, from quality control to the fruit and vegetable industry.

[Question] How are NOT and ZNT cooperating on an everyday basis?

[Answer] The best are the provincial divisions in Rzeszow and Blagoevgrad, Torun and Ruse, and Bydgoszcz and Sliven. Warsaw maintains good contacts with Sofia, Szczecin with Burgas, Gdansk with Varna, and Poznan with Plovdiv. In the future we would like to initiate cooperation between the divisions in the smaller cities--Wloclawek with Mikhailovgrad, Lomza with Viden, Sieradz with Yambol, and Nowy Sacz with Smolyan.

[Interviewer] Thank you for the interview.

5909

CSO: 2600/1294

CSSR-HUNGARIAN DANUBE DAM PROJECT PLANNED

Prague DOKUMENTACNI PREHLED in Czech 1 Jun 83 pp G1-G4

[Article: "Gabcikovo-Nagymaros"]

[Text] A system of waterworks on the Danube is to be built jointly by the CSSR and Hungarian People's Republic on the basis of the agreement of 16 September 1977, which became effective on 30 June 1978. Excavation work and preparation of construction sites began in 1978, and the agreement anticipated the completion of the project in 1991. The cost of the entire project will be borne in equal part by both contracting parties on the basis of work and deliveries actually carried out.

After the completion of the project, the Dunakiliti weir, the parallel channel, Gabcikovo stage and Nagymaros stage, will remain in the joint ownership of both states. Other structures of the system representing joint investments will become the property of the state on whose territory they were built.

The Czechoslovak party will be responsible for:

- the structures of the Hrusov-Dunakiliti forebay dam on the left bank of the Danube on Czechoslovak territory;
- the parallel channel--supply channel on Czechoslovak territory;
- the Gabcikovo stage on Czechoslovak territory;
- protective structures of the Nagymaros forebay dam on Czechoslovak territory, with the exception of the lower Ipeľ River area;
- reclamation on Czechoslovak territory.

The Hungarian party will be responsible for:

- the structures of the Hrusov-Dunakiliti forebay dam on the right bank of the Danube on Czechoslovak territory, including the connecting and regulating dike;
- the structures of the Hrusov-Dunakiliti forebay dam on the right bank of the Danube on Hungarian territory;
- the Dunakiliti weir on Hungarian territory;

- the derivation channel--waste-water channel on Czechoslovak territory;
- the deepening of the Danube riverbed below Palkovicovo both on Czechoslovak and Hungarian territory;
- the correction of the old Danube riverbed on both Czechoslovak and Hungarian territory;
- operations equipment of the Gabcikovo Waterworks on Czechoslovak territory (means of transportation and maintenance equipment);
- protective structures of the Nagymaros forebay dam for the lower Ipeľ River area on Czechoslovak territory;
- protective structures of the Nagymaros forebay dam on Hungarian territory;
- the Nagymaros stage on Hungarian territory;
- operations equipment of the Nagymaros Waterworks on Hungarian territory (means of transportation and maintenance equipment);
- the deepening of the Danube riverbed below the Nagymaros stage on Hungarian territory;
- recultivation on Hungarian territory.

Structures of Gabcikovo Waterworks

The Gabcikovo Waterworks consists of the following structures:

- the Hrusov-Dunakiliti forebay dam in the Danube section at river kilometer 1860-1842 with the maximum backwater level of 131.10 meters above the Baltic Sea on both Czechoslovak and Hungarian territories;
- The Dunakiliti weir and auxiliary lock at river kilometer 1842 on Hungarian territory;
- the parallel channel (supply and waste-water channel) at river kilometer 1842-1811 on Czechoslovak territory;
- the stage on the parallel channel on Czechoslovak territory which consists of a hydroelectric power plant with an installed output of 120 MW, two locks and accessories;
- the corrected old Danube riverbed at river kilometer 1842-1811 in the common Czechoslovak-Hungarian section;
- the excavated and corrected Danube riverbed at river kilometer 1811-1791 in the common Czechoslovak-Hungarian section.

The water reservoir created by the dam between Hrusov and Dunakiliti will have an area of 60 square kilometers and will contain more than 240 million cubic meters of water. The Danube water will flow from this reservoir into the new riverbed--the parallel channel, which consists of the 17-km supply channel and 8-km waste-water channel. The supply channel, 270-740 meters wide, will bring the water to the hydroelectric power plant at Gabčíkovo. There the water stream will drop 16-21.5 meters and will drive eight vertical Kaplan turbines with a total output of 720 MW. The first turbine is to be put into operation in 1990, the last one in 1993. The turbines will operate from 5 to 24 hours a day, depending upon the water flow in the Danube (during the remaining time the water will accumulate in the Hrusov forebay dam).

The ships will sail through the new channel across the two locks (which will accommodate the ship train consisting of one tugboat and nine boats with a displacement of 1,600 tons each) and then, approximately 20 meters below, through the waste-water channel to Palkovicovo, where they will return to the old Danube riverbed. The Danube water level near Palkovicovo will be raised by the dam with the hydroelectric power plant at Nagymaros 110 kilometers downstream.

Structures of Nagymaros Waterworks

--the forebay dam and necessary protective structures in the Danube section at river kilometer 1791-1696.25 and in the sections of tributaries affected by the backwater, constructed for the maximum backwater of 107.83 meters above the Baltic Sea on both Czechoslovak and Hungarian territories;

--The stage at river kilometer 1696.25 on Hungarian territory which consists of the weir, hydroelectric power plant with an installed output of 158 MW, to locks and accessories;

--the excavated and corrected Danube riverbed on the Hungarian territory, in both its branches--river kilometer 1696.25-1657.

According to the plans drawn during the preparation of the international agreement, the first turbine was scheduled to be put into operation in 1993, the sixth (last) in 1995. The Nagymaros stage will work as an equalization reservoir from which the water will flow through turbines continuously.

Significance

This system of waterworks represents a comprehensive multipurpose utilization of the Danube from kilometer 1860 to kilometer 1657. It will strengthen the energy position of the participating states. It is anticipated that an additional 3.7 billion kWh will thus be supplied annually. The output of both hydroelectric power plants will be hooked to the Mir power supply system of the socialist states. The annual savings of brown coal will amount to approximately 4.5 million tons. Upon the regulation of the Czechoslovak-Hungarian section of the Danube, the opening of the Danube-Main-Rhine canal will make the interlinking of the Black and North Sea possible. The navigation depth will be 3.5 meters and the fords, particularly in the Rajka-Gonyu section, will be eliminated.

This will increase the capacity of the Bratislava harbor and link it to the industrial centers in southern Slovakia. Favorable conditions will be created for the better utilization of the lower sections of the Danube tributaries (Vah, Hron, Ipel and Little Danube). The project will greatly affect the environment in both states. The conditions will thus be created for flood control in the adjoining areas (about 200,000 hectares on the Czechoslovak side and a minimum of 40,000 hectares on the Hungarian side). Irrigation of agricultural land is planned. The Hrusov Waterworks will become a center of tourism.

10501

CSO: 2400/12

PARAMETERS OF NEW CEMA DATA BASE ON CZECH PLASTICS DETAILED

Warsaw GOSPODARKA MATERIALOWA in Polish No 11, Jun 84 pp 251-252

[Article by Grazyna Plesniewska: "Properties of Czech-Produced Plastics"]

[Text] The dynamic growth of industry and the emergence of new technologies has made it necessary to put into use different materials with varied specific properties. Catalogues and standards on materials and substances contain basic data which is becoming increasingly insufficient. The need for more specific data has compelled designers to use specialist sources but this is very laborious and does not always produce results.

The receipt of correct information on the properties of substances and materials makes it possible to optimize technological processes and properly use fuel and materials, thus achieving a 10-percent savings in materials. It has therefore become necessary to create collections of reliable data on the properties of materials and substances. The so-called reference data bases were created for this purpose.

Reference data² is data on physical solids and the properties of substances and materials. This data is derived during critical assessment of results from measurements or calculations and is presented in numerical or graphic form or as equations.

The first attempts to create a CEMA [Council for Economic Mutual Assistance] began in 1966. In 1971, this work was included in a program or further development of socialist economic integration of CEMA nations.²

Within the permanent CEMA Standardization Commission, a so-called working group was established in 1972 to create a system of standard reference data (SSDO) reference data system for CEMA. Among its other tasks, this working group was supposed to set up national data banks in the CEMA member nations. These data banks are used within the CEMA SSDO system as subject data bases. The first step to creation of such bases is experimental use of the thematic data bases that are already in existence in some of the CEMA countries.

The working group began its activities in 1977 when it started experimentation with data bases for the thermophysical properties of organic substances, their mixtures and petroleum products. This data bank is part of the Data Center of

the USSR State Standard Reference Data Service (GSSSD) and the AWESTA Uniform Subscriber System in Kiev.

The first data bases in Czechoslovakia were established in 1973 and by 1978 that country had its National Numerical Data System of information on heat resisting and tool-grade steel³.

At the present time, the Permanent Commission for Cooperative CEMA Standardization is experimentally operating a data bank for Czech-produced plastics. The creator and operator of this base and the data base on steel is the State Scientific Institute of Materials (SVUM) in Prague.

This base is already the second such data bank on artificial plastics. The first work on this subject was conducted in 1978-1980 and concerned the use by interested CEMA member states of the "plastics" data base which formed part of the Materials Information System (ISW) created in the Institute of Light Construction and Economical Materials Use in Dresden (GDR).⁴

The Czech plastics data bank created within SVUM contains data on 6 types of plastics in numerous categories, namely: 12 types of polypropylene (mosten)*, 7 types of high-density polyethylenes (liten), 8 vinyl polychlorides (neralit), 7 polystyrenes (krasten), 5 acrylnitrobutadienostyrenes (forsan) and polyamides (spolauid). These plastics have very good molding and plastic properties. When special admixtures are added, some of these plastics have enhanced resistance to heat (mosten 52422), light (liten PL10) and ultraviolet radiation (mosten 52532). These plastics have various uses in industry. They are excellent materials from which to make parts of complex form with varied wall thickness and high transparency (krasten 144) as well as parts used in the electronics, automobile (krasten 465, forsan 548-573) and furniture industries (forsan 648).

The SVUM data bank contains information on the following properties of the above-named plastics: density, viscosity, melting point, tensile strength, peel strength, bending strength, plasticity limit, relative elongation under tearing, specific elongation within plasticity limits, coefficient of elasticity, shock resistance under bending, shock resistance of knurled samples, rigidity coefficient, hardness and creep curves. The data bank also contains information on plastics properties such as their electric strength, surface resistivity, volumetric resistivity, dielectrical resistivity, the tangent of dielectrical loss, the coefficient of linear expandability, heat conductivity, specific heat, the Vicata softening temperature, the continuous work temperature, the short-term work temperature, acid value, chemical resistance, bursting strength, kindling temperature, burning temperature, water absorbency and shrinking. Aside from the above data, the bank also includes accurate information on the applications of specific categories of plastics and names their producers.

*Commercial names of these plastics are given in parentheses.

Within the Permanent Commission for Cooperative CEMA Standardization, participation in the study of Czech-produced plastics involves.

-- the direction of inquiries to SVUM in Prague by the Polish delegation in the CEMA Permanent Commission on Cooperative Standardization which is represented in Poland by the Center for Research and Development of Materials Standards of the Reference Data Establishment, Elektoralna 2, Warsaw, telephone 20-02-41, extension 304;

-- assessment of answers obtained on the output of the central data service and its method of communicating and presenting data.

Inquiries are made on special forms provided to interested institutes which can either ask for information on the properties of specific plastics or ask which plastic has certain properties.

The information is provided free of charge under no conditions other than that the organization requesting the data provide the assessment mentioned. On 5-9 December 1983, SVUM held an instructional seminar in Prague for representatives of institutes taking part in this project. Poland was represented at this seminar by specialists from the Industrial Institute of Motorization in Warsaw, the Bureau of Chemical Industry Projects and Investment Realization in Gliwice, the Institute of Materials Engineering of the Szczecin Polytechnical Institute, the Center for Research and Development of Machine Technology and Design as well as the Predom Research and Development Center in Warsaw.

Any Polish institute interested in Czech-produced plastics is free to participate in the data bank. Information can be obtained on many plastics properties that cannot be found in standard catalogues available in Poland. If the experiment results are positively assessed, the SVUM plastics bank will be permanently included in the CEMA System of Standard Reference Data.

FOOTNOTES

1. Wisniewska, E., "Information on the properties of tool-grade and heat-resistant steels" [Informacje o własnościach stali narzędziowych i zarowytrzymałych], GOSPODARKA MATERIOLOWA, 24/1980.

2. Trabczynski, W., Wisniewska, E., "The Creation of a System of Standard Reference Data" [Tworzenie Systemu Standardowych Danych Odniesienia], NORMALIZACJA, 8/1978.

3. Wisniewska, E., "Numerical information on plastics properties" [Numeryczne informacje o własnościach tworzyw sztucznych], PRZEGLĄD MECHANICZNY, 12/1978.

4. Sulcowa, M., "The National System for Numerical Data On the Properties of Matters [sic] and Materials in Czechoslovakia", Proceedings of the Eighth International CODATA Conference, Pergamon Press, 1982.

12261

CSO: 2600/26

COOPERATION TALKS AT LEIPZIG FAIR REPORTED

AU061641 [Editorial Report] East Berlin NEUES DEUTSCHLAND in German on 4 September on page 6 carries various ADN reports on meetings that have been held at the Leipzig fair.

These include a 240-word report on the meeting between Werner Jarowsky, member of the Politburo and secretary of the SED Central Committee, and Bulgaria's Georgi Karamanov, deputy chairman of the Council of Ministers and minister for production and trade with consumer goods, on a talk on the "further development of economic relations." The report states that the participants in the talk praised the "successful and dynamic development of relations," and that "for the first time, the goods exchange will exceed R1 billion."

Another report, 180-words long, deals with the meeting between Werner Jarowsky and the CSSR foreign trade minister, Bohumil Urban, in which both sides stressed that "another important upswing in mutual relations has been achieved." The report goes on to state: "Werner Jarowsky stressed with satisfaction that immediately before the 35th anniversary of the republic the GDR will achieve the to date biggest turnover volume with its second biggest socialist trade partner, the CSSR. In the talk it was stressed that the goods exchange will exceed R2.6 billion this year." The report also notes that more than half of the products of the machine building sector and the electrotechnology-electronics sector in the trade of the two countries are the result of specialization and cooperation.

The paper also carries a 160-word report on the meeting between Werner Jarowsky and the Hungarian foreign trade minister, Peter Veress, that states: "Werner Jarowsky stressed that the interview of the SED Central Committee general secretary, Erich Honecker, on some topical domestic and foreign policy is fully supported by the GDR working people and has initiated new working deeds and commitments in the 35th year of the GDR." The report then states that both sides stressed the good prerequisites for further expanding and deepening the relations between the GDR and Hungary and noted the successful development of cooperation.

A 180-word report on the meeting between Guenther Kleiber, SED Central Committee Politburo member and minister for general engineering, agricultural

machinery, and vehicle building, and Subhi Yasin Khudayr, Iraqi minister of industry and minerals, to "discuss and agree on concrete steps regarding expanding cooperation concerning projects of the machine-building sector, including agricultural technology, is also carried" according to the report, the Iraqi minister also met with Rudi Georgi, minister of machine tool and processing machinery building, and Felix Meier, minister for electrical engineering and electronics.

CSO: 2300/57

INTERNATIONAL AFFAIRS

BRIEFS

CEMA NUCLEAR GROUP MEETS—Section II of the Standing CEMA Commission for Nuclear Instrumentation, Equipment and Standardization began its 4-day conference in Warsaw on 18 September 1984. Mieczyslaw Sowinski, Chairman of the State Atomic Agency, opened the conference, in which representatives of Bulgaria, Czechoslovakia, Cuba, the German Democratic Republic, Poland, Hungary and the Interatominstrument International United Enterprise for Nuclear Equipment participated. The Warsaw conference of Section II of the Standing CEMA Commission is a routine, working session of specialists who coordinate the practical cooperation of socialist countries in this important area of nuclear efforts. The discussion covered three problem areas. The first area included problems related to the measuring instrumentation and the electronic systems and equipment for nuclear medicine. The third area, the most far-reaching one, included the problems of nuclear equipment used in research and development, in various sectors of modern industry and in other sectors of the economy. [Text] [Warsaw RZECZPOSPOLITA in Polish 19 Sep 84 p 2] 8801

CEMA PATENT CONFERENCE—Directors and the leading staff of the patent offices of CEMA member-countries and of Yugoslavia are conferring this week in Prague on the protection of inventions, industrial models and trademarks. [Summary] [Bratislava PRAVDA in Slovak 27 Sep 84 p 2 AU]

CSO: 2400/27

JULY 1984 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 31 Aug 84 p 2

[Commentary by Engineers Marie Horwannonova and Alena Polakova, Federal Statistical Office: "July 1984"]

[Text] In July 1984, the positive trends in the development of the national economy continued, based on the first half of this year. In terms of the economy's principal indicators, the plan's targets were fulfilled in July and for the first seven months to date. The growth rate of the basic indicators over the same period of 1983 was influenced also by the availability of more working time this year: there was one extra workday in July, and two extra workdays from January through July, as compared with the same periods last year.

In industry, the centrally administered enterprises produced 44.7 billion korunas of output in July, 6.3 percent more than in July of last year, and thus fulfilled their economic plan 100.7 percent. The increase in industrial output from the beginning of the year through July reached 4.5 percent. Fulfillment of the economic production plans during the first 7 months was 101.1 percent, and 57.6 percent of the annual federal plan was fulfilled by the end of July.

In January through July, the economic plans for the most important products also were fulfilled or exceeded. The plan for electric power generation was fulfilled 102.3 percent; the plan for the mining of bituminous coal, 100.4 percent; and the plan for the production of pig iron, 101.1 percent.

Although the economic plans were overfulfilled in general, 226 industrial enterprises (or more than a fourth of their total number) failed to fulfill their production targets in July, and 194 enterprises (or 22.7 percent) failed to do so in January through July.

Fulfillment of the plan of adjusted value added during the first seven months was 102.2 percent; 149 industrial enterprises (or 13.8 percent of their total number) failed to fulfill their planned adjusted value added for this period.

The increases of industrial production and adjusted value added were achieved primarily through the rise of labor productivity. Labor productivity based on gross output rose 3.8 percent during the first 7 months; labor productivity based on adjusted value added rose 5.7 percent.

Basic Indicators of National Economy's Development in July 1984.
Increases Over Comparable 1983 Period (in percent)

	<u>Jul</u>	<u>Jan- Jul</u>	<u>Federal plan¹</u>
Centrally Administered Industries deliveries for:			
- investments, at wholesale prices	.	5.8	.
- domestic trade			
at wholesale prices	.	3.5	.
at retail prices	.	3.3	1.9
- export to socialist countries			
at wholesale prices	.	7.9	.
at f.o.b. prices	.	10.4	.
- export to nonsocialist countries			
at wholesale prices	.	9.2	.
at f.o.b. prices	.	9.9	.
- other sales for productive consumption and operations, at wholesale prices	.	3.0	.
volume of industrial production	6.3	4.5	2.5
average number of employees	0.3	0.6	1.2
labor productivity based on industrial output	6.0	3.8	1.3
Construction			
construction work performed with own personnel	4.0	2.4	0.7
average number of employees	-0.4	0.2	0.9
labor productivity on construction's basic output	4.4	2.2	-0.3
housing units delivered by contracting enterprises	-10.7	10.0	-4.9
Procurement			
slaughter animals (including poultry)	11.2	6.6	-2.1
milk	3.2	3.9	-4.7
eggs	6.1	4.6	-3.9
Retail Turnover			
main trade systems	3.3	3.2	1.2
Foreign Trade ²			
export to socialist countries	.	14.3	6.1
export to nonsocialist countries	.	9.8	1.3
import from socialist countries	.	16.0	9.5
import from nonsocialist countries	.	5.2	9.0
Personal Money Income	1.2	2.5	1.8
of which income from wages	0.9	2.5	1.2
<u>Cash Expenditures</u> (w/o net increase in savings deposits)	0.6	3.8	2.0

1. Adjusted federal plan approved by Government Decree No 120/84 (less the goal-oriented programs' effect); plan adjusted for actual 1983 results.
2. Data on actual results refer to total transactions. The state plan (unlike total transactions) does not include unplanned transactions within co-operation, unplanned reexport, swaps, tie-in sales, etc.

In the marketing of the industrial output during the first 7 months of this year, as compared with January through July of last year, there was a significant increase of deliveries for export, to both socialist and nonsocialist countries. The economic plans from the beginning of the year through July were exceeded for deliveries to all principal destinations. At the same time, some of the enterprises failed to fulfill their planned targets. During the first 7 months, 36 percent of the enterprises did not fulfill the planned volume of sales for productive consumption and other operations, and 30 percent of the enterprises failed to fulfill their planned deliveries for investments.

In construction, the construction enterprises performed 53.5 billion korunas' worth of construction work with their own personnel during the first 7 months of this year, 2.4 percent more than during the same period last year. Overall fulfillment of the economic plans for construction work was 100.4 percent. But more than 40 percent of the construction enterprises failed to fulfill their production targets for the first 7 months.

During January through July of this year, adjusted value added in construction was 2.2 percent higher than during the same period of last year, while the economic plans were overfulfilled by 1.6 percentage points. Sixty-nine (or roughly 29 percent) of the enterprises did not fulfill their adjusted value added plan for January through July. Labor productivity in construction in January through July increased by 2.2 percent in relations to construction's basic output, and by 2 percent based on construction's adjusted value added.

In housing construction, the contracting enterprises delivered 23,039 housing units from the beginning of the year through July, i.e., 10 percent more housing units than during the same period last year.

In agriculture, the procurement plan was overfulfilled in the case of all principal livestock products during the first 7 months of this year. The procurement schedule was fulfilled 103 percent for all slaughter animals jointly, 101.7 percent for slaughter poultry, 104.3 percent for milk, and 106.4 percent for eggs. In comparison with January through July 1983, the increases in procurement during the first 7 months of this year were 66,000 tons of slaughter animals (including slaughter poultry), 132 million liters of milk, and 79 million eggs.

Public freight transportation in July remained at the same level as in July of last year; from the beginning of this year, however, it dropped 0.6 percent in comparison with January through July of last year. The plan for freight transportation in January through July was fulfilled 99.3 percent; this includes 101 percent fulfillment in rail freight, 97.7 percent in trucking by the CSAD [Czechoslovak State Motor Transportation], and 103.6 percent in inland navigation. Public freight transportation jointly hauled 380 million tons of freight during the first 7 months of this year.

In foreign trade, at f.o.b. border prices, export rose faster than import during the first 7 months of this year. At the same time, faster growth was achieved in export to socialist countries (114.3 percent) than to nonsocialist countries (109.8 percent). By the end of July, fulfillment of the annual export plan was 57.8 percent to socialist countries and 55.7 to nonsocialist countries.

Import during January through July of this year increased by 10.8 percent over the same period of last year. Import from both socialist and nonsocialist countries was up.

The retail turnover of the main trade systems was 3.3 percent higher in July than in the same month last year. The increase was due primarily to the retail turnover of the Footwear, Department Stores, and Textiles trade organizations.

Retail sales in the main trade systems totaled 131 billion korunas in July (at current prices), an increase of 3.2 percent over the same period last year.

The enterprise plans for the retail turnover's growth were overfulfilled by 1.3 percent during this period.

Total personal money income, and income from wages rose faster during January through July than what the annual federal plan called for.

As a result of higher retail sales, the currency in circulation dropped by 1.5 billion korunas in July.

On the other hand, the net increase in the population's savings deposits over a year ago was 12.5 billion korunas, to a total of 198.5 billion korunas on 31 July 1984.

1014

CSO: 2400/440

STATISTICAL DATA BASE EXAMINED, ANALYZED

Prague STATISTIKA in Slovak No 7, 1984 pp 314-328

[Article by Stefan Cachan: "Use of Statistical Data Base for Analytical Work"]

[Text] In the second issue of this journal an article by Jan Felcin, entitled "Use of the SPAZ Statistical Data Base Management System," was published. What for the most part has been the successful practical utilization of this system in statistical work was preceded among other things by the recruitment of analysts to develop the system. This was the beginning of the fulfillment of one of the most important requirements of the "Programmatic Document for Statistics," namely the achievement of increased quality in the analytical work of all statisticians. Put simply, this meant working better through a new approach to analysis. One of the ways to achieve this objective was to involve computer technology more fully in our work.

It was necessary to think about how to overcome stereotypes and routines, while at the same time providing answers in new ways to pressing questions of socioeconomic development and plan fulfillment, answers that had to be provided on short notice.

For these reasons, employees of the division of industrial statistics and ODV at the Slovak Statistical Office [SSU] decided to make use of the possibilities offered by a data base system. A description of these follows.

As a system for the storage and retrieval of time classified data, SPAZ basically assures the storage and maintenance of data in an integrated form based on various independent reports, in our case from industrial enterprises. It permits the flexible evaluation of this data. The periodic character of the inputs and therefore the storage of data from various time periods is in line with the typical procedure for the compilation of data banks.

SPAZ utilizes a relatively simple data structure, in terms of hierarchical classification, making access to the data relatively efficient. Of particular interest is its inclusion of the "dynamic dimension," the so-called time period, which supports the periodically recurring entries.

With SPAZ, user data is collected in one or more so-called subdatabases. A subdatabase may be understood as a generalized form of a file, one with an

exceptionally flexible and expandable structure. No connection is assumed between the data of the various subdatabases in SPAZ, but internal relationships normally exist.

SPAZ makes possible the rapid adaptation of the predictive capability of statistics pertaining to a rapidly changing economic situation, thereby making possible, for the first time ever, machine preparation of long-term time series and the comparison of data of many different statistical entities at the enterprise or the economic production unit [VHJ] level.

Through the use of certain criteria, the system can juxtapose data from numerous reporting entities. This data can, at the least sophisticated level, be compared and interrelated. The system can also provide data from various periods of time (if the memory has space for devices with direct access), which can be processed to appear in any desired configuration. At the same time, data from all periods are equally accessible. For a predetermined length of time all data are stored in direct access.

This short summary of these possibilities shows that with the aid of data bases we can indeed answer in new ways the most pressing questions of the socioeconomic development of the national economy.

The analytical overviews gained from data bases have enabled us to answer the question of what progress is being made in increasing the effectiveness and intensification of the production process, namely, are we producing and exporting more goods while using fewer raw materials, fuels, energy, imports, wages and capital equipment? On this issue the SSU has published a bulletin, "Signal Information," in which it evaluates the demands made by exported production on specific inputs. Specifically, it addresses the question of how much material, fuel, power, wages, capital assets and imports we are exporting in our export production, and how we are changing the structure of exports in favor of less resource-intensive items.

Today we are able quite readily, with the assistance of indexes of variable and fixed composition and structure, to answer such questions as how a change in enterprise and sectoral structure will influence industrial inputs and what progress has been made in making production more efficient at specific levels of management. Some of the calculations, namely those of theoretical intensiveness, necessary for the specification of the three types of indexes given above were obtained using a VUSEI [Research Institute for Socioeconomic Information and Automation] technique automated by selections from the SPAZ data base, while another portion was generated manually. It would be desirable for the programs for mathematical-statistical calculations at SSU to be directly connected to this data base.

Furthermore, through the SPAZ data base statistics can provide answers to several other interesting questions. For instance, to what extent does a high export capability for an enterprise relate to the level of innovation, product quality and enterprise concentration? To do this, we selected from the data base for each kraj the 10 best performing exporting enterprises, to which we added innovation intensity, the percentage of progressive products,

quality I products, and the number of employees. Then we selected the 10 best enterprises for innovations, then for quality and then for product sophistication. We did the same for a selection of the 10 worst enterprises in these categories. In this way we obtained material not only for some conclusions, but also some independent conclusions and the one additional finding that the mere publication of these lists would generate a certain competition among the enterprises on the lists, which would improve the reliability of the data. Reaching this stage is proving to be somewhat of a problem, but the effort involved will be repaid many times over.

The computer facilitates quick reaction to the Set of Measures. Through our normal processing activities we obtain calculations of selected indicators of production and economic efficiency which can be utilized in government reports and the SSU Bulletin. Kraj administrations also have this capability. On an annual basis, we conduct an analysis of industrial efficiency that covers almost all the indicators of production-economic efficiency established by the "Unified Methodological Guidelines for Developing Drafts for the Seventh 5-Year Plan" and the supplements to this.

It is my opinion that we must take the initiative in the utilization of new work techniques, computer technology and mathematical-statistical methods for the analysis and nontraditional resolution of the problems in statistical work. It is especially necessary to perform pathbreaking and model work which can then be implemented in other sectors.

In statistical work related to industry, DOV [supplier/consumer relations] and transportation, we are using SSU data base data for the time being experimentally, during the prepreparation stage of projection work and when generating short-term (monthly) time series for selected indicators. Regarding selections for oblast statistical organs, it is worth mentioning the raw data for time series calculations provided to the kraj administration of the Bratislava SSU office and special selections provided to the Banska Bystrica SSU kraj administration.

The usefulness of these selections has been praised by external users, who have received in a few hours output in the requested structure and classification. For instance, for the needs of the economic divisions of the CPS Central Committee we have prepared reports on enterprises which have failed to meet their targets for designated time periods, for the SIPK [Slovak Planning Commission?] data on plan breakdowns and changes in annual plans, for the SSR Ministry of Commerce on supplementary production of consumer goods, and for the Main Institute of the State Bank of Czechoslovakia on the allocation of production in excess of the plan.

In practical terms, the data base makes it possible to handle the pile of reports which the statistical organs must regularly have at their disposal for daily operations. As with every innovation, however, it will require a change in the attitude toward the use of SEI [socioeconomic information?] for analyses on the part of both employees of statistical organs as well as in the user sphere.

Table 1. Engineering Firms With Superior Export Performance*

Enterprise	Percentage of total output for		Investments 1981-83 as percentage of capital stock as of 31 December 1983
	Exports	New products	
Surany Elitex, concern enterprise (k.p.)	69.77	1.81	16.19
Brno-Lisen Tesla Elektroakus	59.49	24.85	13.68
Piestany Chirana, k.p.	55.32	24.59	15.25
Zavadka Sigma, k.p.	50.98	51.12	3.41
Trencin Machine Tool Factories (TOS) Plants for Engineering Machinery (TST), k.p.	50.19	19.62	21.28
Poprad Railway Car Works	44.60	86.55	43.04
Stara Tura Chirana, k.p.	39.59	24.34	20.20
Komarno Heavy Engineering Plants (ZTS), national enterprise (n.p.)	39.55	16.09	6.29
Trnava Smeral TST, k.p.	36.51	2.89	19.53
Piestany Machine Works, TST, k.p.	36.29	29.62	50.51
Vrable Tesla, k.p.	35.00	53.71	32.56
Matejovice Tatramet	34.26	85.45	8.00
Stropkov Tesla, k.p.	32.98	3.57	26.07
Tlmace SES, k.p.	31.52	44.49	36.70
Martin ZTS, n.p.	30.41	18.10	26.58
Zlate Moravce Callex	29.60	59.02	24.29
Nove Zamky Sigma, k.p.	27.27	43.55	52.89
Detva ZTS, n.p.	26.90	17.02	27.73
Piestany Tesla, k.p.	25.55	16.89	30.00
Nove Zamky Elektrosvit	23.85	40.26	11.85
Nitra Elitex, k.p.	23.40	3.40	16.57
Bratislava Electrical Engineering Factories (BEZ), k.p.	22.86	19.66	10.84
Bratislava Tesla, k.p.	20.37	77.30	25.11
Presov Machinery and Automation (ZPA), k.p.	19.78	63.21	31.15
Liptovsky Hradok Tesla, k.p.	18.66	14.19	24.94
Myjava Slovak Armature Works	17.30	14.96	15.68
Snina Vihorlat	16.56	28.03	34.63
Total 27	31.00	30.88	26.49

*Because it is secret, quality data by enterprise has not been published

Table 2. Engineering Enterprises With Greatest Innovational Activity

Enterprise	Percentage of total output for		Investments 1981-83 as percentage of capital stock as of 31 December 1983
	New products	Exports	
Poprad Railway Car Works	86.55	44.60	43.04
Matejovce Tatramat	85.45	34.26	8.00
Bratislava Tesla, k.p.	77.30	20.37	25.11
Orava Tesla, k.p., Niz	64.50	14.45	20.39
Presov ZPA, k.p.	63.21	19.78	31.15
Zlate Moravce Calex	59.02	29.61	24.29
Vrable Tesla, k.p.	53.71	35.00	32.56
Trnava Automobile Works (TAZ)	51.68	6.42	59.69
Zavadka Sigma, k.p.	51.12	50.99	3.41
Filakovo Kovosmalt	45.70	10.81	19.90
Tlmace SES, k.p.	44.40	31.52	36.70
Nove Zamky Sigma, k.p.	43.55	27.27	52.89
Presov ZVL-KP	42.74	0.00	12.26
Banska Bystrica Computer Technology Plants, k.p.	41.20	15.35	15.40
Nove Zamky Elektrosvit	40.26	23.86	11.85
Brezno Mostaren, k.p.	37.98	9.12	28.25
Skalica ZVL-KP	36.22	0.00	12.42
Bratislava ZTS, n.p.	31.03	10.65	20.51
Piestany Machine Works (TST), k.p.	29.62	36.29	50.51
Pohorela Strojsmalt	28.75	0.00	22.41
Snina Vihorlat	28.03	16.56	34.63
Bratislava BAZ	27.85	6.37	25.09
Brno-Lisen Tesla Elejtroakus	24.85	59.49	13.68
Piestany Chirana, k.p.	24.59	55.33	15.25
Bytca ZVL-KP	24.47	2.91	19.16
Stara Tura Chirana, k.p.	24.34	39.59	20.20
Bratsilava Meopta, k.p.	22.38	15.22	21.65
Total	27	49.64	21.91
			29.16

For illustrative purposes, three unrelated examples of the practical application of SPAZ to short analytical problems are given below.

Relationship Between Exports, Innovation, Quality and Capital Investment in SSR Engineering Enterprises

The engineering industry in Slovakia produced in 1983 Kcs 54.36 billion of goods, 21.4 percent of which was exported. With more detailed analysis we can document the role played in this performance by innovational activity, quality, and the technical sophistication of production in specific enterprises, and how investment activity in the Seventh 5-Year Plan contributed to export capacity.

We utilized data from the data base for this analysis. The sample consisted of 54 engineering firms (heavy and general engineering and electronics firms) which produce finished goods and which evaluate the quality and technical sophistication of their output. We divided this sample into two groups, based on achieved quality and overall performance, although we could have chosen other intervals or criteria. The results are skewed somewhat for ZVL [ball-bearing production] enterprises, for which marketing is centralized.

The overview documents the significance of the connection between innovational activity, sophistication and product quality, as well as with the focusing of investment activity.

Classification by the percentage of technically advanced products shows that only 28 engineering firms record this information, with 8 of these firms showing a 16-37 percent share of technically advanced products, while the remaining almost two-thirds of the firms showed either a minimal or insignificant percentage of total output to be technically advanced (see Table 3).

Table 3. Engineering Firms With Highest Percentage of Technically Advanced Products

Enterprises		Percentage of total output for				Investments 1981-83 as percentage of capital stock on 31 December 1983
		Technically advanced products	Exports	New products	Quality I products	
Total	27	7.93	19.88	29.06	7.60	25.97

The overall results make it clear that we must link an evaluation of the percentage of technically advanced products with evaluations of technically and economically sophisticated products.

A group consisting of half of the total sample of engineering firms had above-average percentages of quality I products, but failed to achieve even sectoral average export performance, even though it showed a fairly high level of innovation, but below-average shares of technically advanced products and investment activity (see Table 4).

Table 4. Engineering Firms With Higher Than Average Percentage of Quality I Products

Enterprise	Percent of total output					Investments 1981-83 as percentage of capital stock on 31 December 1983
	Quality I products	Export	New products	Technically advanced products		
Total	27	10.89	19.08	25.53	2.57	21.47

Fully one-third of the sample of engineering enterprises does not monitor quality I product performance (or does not produce such high quality). Even in such instances, however, it would be desirable to evaluate the product mix in terms of percentages of total enterprise output.

The first half of the sample of engineering firms received roughly twice the investment resources of the second group. The first group achieved above-average export performance, a higher level of innovative activity, a higher share of technically advanced products, but lower percentages of quality I products.

When classifying the firms according to exports as a percentage of total output, we included for every enterprise percentages for new products, technically advanced products, quality I products, as well as investment during the 3 years of the Seventh 5-Year Plan as a percentage of capital assets (ZP).

The results for the first half of the sample of export-capable firms on the whole confirms the thesis that these enterprises have, in comparison with the second half of the sample, on the average significantly higher percentages of innovation, higher quality (even though this is not significant for progressive products), and a higher level of investment activity.

There are exceptions, however, to all indicators. For instance, the level of innovation is low at the Surany Elitex concern enterprise [k.p.], the Trnava Smeral Heavy Engineering Plants (ZTS), k.p., the Stropkov Tesla, k.p., and the Nitra Elitex, k.p. The allocation of investment resources also does not indicate that they were used with any significant priority to exports (see Table 1).

Quality I products and technically sophisticated products as a percentage of the total value of evaluated products showed lower values for the major exporters.

Table 5. Engineering Firms with Highest Percentage of Investment Projects and Deliveries in 1981-1983 in Terms of Capital Stock in Place on 31 December 1983

Enterprise	Investments for 1981-83 as percentage of capital stock on 31 December 1983	Percentage of total output for	
		Exports	New products
Trnava TAZ	59.69	6.41	51.68
Nove Zamky Sigma, k.p.	52.89	27.27	43.55
Piestany Machine Works (TST), k.p.	50.50	36.29	29.63
Nove Mesto nad Vahom Air Technology	45.48	12.68	20.44
Poprad Railway Car Works	43.04	44.60	86.55
Tlmace SES, k.p.	36.70	31.52	44.50
Snina Vihorlat	34.62	16.56	28.04
Vrable Tesla, k.p.	32.56	35.00	53.71
Presov ZPA, k.p.	31.15	19.78	63.22
Piestany Tesla, k.p.	30.00	25.55	16.90
Kosice ZTS, n.p.	28.70	13.15	11.55
Brezno Mostaren, k.p.	28.25	9.12	37.99
Detva ZTS, n.p.	27.73	26.99	17.03
Martin ZTS, n.p.	26.58	30.41	18.10
Stropkov Tesla, k.p.	26.07	32.98	3.58
Bratislava Tesla, k.p.	25.11	20.37	77.31
Bratislava BAZ	25.09	6.37	27.85
Liptovsky Hradok Tesla, k.p.	24.94	18.66	14.19
Zlate Moravce Calex	24.29	29.60	59.02
Kremnica Mincovna	23.88	10.00	0.00
Dubnica nad Vahom ZTS, k.p.	22.97	11.36	4.34
Pohorela Strojsmalt	22.41	0.00	28.76
Dubnica nad Vahom ZVS, k.p.	22.13	2.37	7.23
Bratislava Meopta, k.p.	21.64	15.22	22.39
Trencin TOS (TST), k.p.	21.27	50.19	19.62
Bratislava ZTS, n.p.	20.50	10.65	31.03
Orava Tesla, k.p. Niz	20.38	14.45	64.50
Total	27	30.20	27.08

Further classification shows clearly the connection between high levels of innovative activity, the quality of output, and investment, even though this results in only sectoral average export capability, as shown in Table 5.

For the ranking of the first half of the sample of engineering enterprises based on their percentage of new products, with the inclusion of exports, quality (of total output) and investment, see Table 2.

Half of the sample of engineering enterprises produces more than half of its total output in goods with high technical-economic sophistication. In comparison with the average for the engineering sector, however, this group has lower export capability, roughly the same level of innovational activity, and higher investment outlays for the first 3 years of the 5-year plan.

Products evaluated according to quality and technical sophistication account for 29.5 percent of the total output of this group of firms. The individual firms, however, are strongly differentiated (with a variational range of 96.03), see Table 6.

Table 6. Output of Products Evaluated by Quality and Technical Sophistication for Engineering Firms With Highest Shares of Highly Technically Sophisticated Output

		Percentage				
		Of total output accounted for by technically and economically sophisticated products	Of total output	New products	Of investments in 1981-1983 in relation to total capital stock as of 31 December 1983	Of total output accounted for by the evaluated products
Enterprise			Exports			
Total	27	50.6	19.34	24.84	22.41	29.46

This material documents the tie between the selected indicators of exports, innovation, quality and investment. Its predictive capability lies above all in the analytical overviews it can generate. Because of their size, they could not be published here. And obviously they should not be analyzed, studied and compared in a mechanical fashion, but with regard to the entire complex of roles and missions that the engineering industry has in the national economy.

The Multicriterial Evaluation of SSR Engineering Enterprises

For a more comprehensive judgment concerning the performance or the characteristics of specific engineering enterprises we chose the relative indicators of total production cost, material consumption, wages for a given output, and capital stock and exports as a percentage of output for 1980 and 1983.

Using three selected techniques of multicriterial evaluation according to the methodology and programs of the VUSEI (Research Project No 96, author Eng J. Krovak) and transmitted to SSU division 10, we obtained a ranking of specific engineering enterprises. The input data was selected from the SPAZ data base.

The point-ranking technique is based on the assignment of a certain number of points from a scale for each indicator, while the variable normative technique calculates the output value as a weighted arithmetic mean of standardized values. The average distance technique is based on deviations from a hypothetical enterprise which has the highest values of all indicators in a given group. In addition to the results for specific techniques, the evaluation contains a weighted rank calculation based on all three utilized techniques.

To assure the homogeneity of the selected sample, we excluded enterprises from evaluation which do not deliver for export, or those which have centralized marketing. The input sample, thus adjusted, consisted of 48 enterprises in 1980 and 50 enterprises in 1983.

Their initial statistical properties, consisting of the mean, standard deviation and coefficient of variation (i.e., standard deviation as a percentage of the mean) for practical purposes did not change during the 3 years of the study.

Values of Specific Indicators for SSR Engineering Enterprises

Indicator	Mean		Standard deviation		Coefficient of variation	
	1983	1980	1983	1980	1983	1980
1. Materials consumption as percentage of output	50.69	52.41	10.23	11.58	0.202	0.221
2. Wages and other personnel costs as percentage of output	14.98	15.88	4.47	4.84	0.299	0.305
3. Total costs as percentage of output	89.46	91.78	6.43	8.66	0.072	0.094
4. Total exports as percentage of output	20.57	18.78	15.36	15.81	0.746	0.842
5. Capital stock as percentage of output	78.36	72.17	29.34	23.44	0.374	0.325

The relationships between the specific indicators are indicated by paired coefficients of correlation. The highest (reciprocal) correlation value for this coefficient (-0.713 in 1983 and -0.617 in 1980) was between materials consumption per koruna of output and wages and other personnel costs as a percentage of output. The moderate connection between total costs and capital stock as a percentage of output in 1980 (0.142) was strengthened in 1983 (0.469).

Correlational Matrix

Indicator	1	2	3	4	5
1. Materials consumption as percentage of output	1.0000				
2. Wages and other personnel costs as percentage of output	-0.713	1.000			
3. Costs as percentage of total output	0.324	0.140	1.000		
4. Exports as percentage of output	-0.063	0.063	0.050	1.000	
5. Capital stock as percentage of output	-0.324	0.304	0.469	-0.044	1.000

This correlational matrix of paired coefficients demonstrates the interrelationships between the analyzed indicators for engineering enterprises in 1983. For illustrative purposes we have presented only the left-hand side of the matrix:

In 1983, as opposed to 1980, the relationship between capital assets as a percentage of output and other relative indicators became less close; its relationship to the export share showed a change in sign, meaning that an increase in one quantity resulted in a decline in the other.

An evaluation of individual engineering enterprises with the help of a weighted sum of the rankings from the three above-mentioned multicriterial analyses yielded a resultant rank of 48 in 1980 and 50 in 1983 (total enterprises).

The overview of all 3 analytical techniques yielded the following ranking for the top 20 firms in 1983:

Enterprise	Rank in	
	1983	1980
Orava Nizna Tesla	1	37
Poprad Tatramat	2	39
Bratislava Tesla Elektroakustika	3	16
Zlate Moravce Calex	4	32
Stara Tura Chirana	5	7
Surany Elitex	6	15
Banska Bystrica ZVT	7	14
Stropkov Tesla	8	36
Bratislava Electric Assembly Plants	9	8
Poprad Railway Car Plant	10	1
Bratislava Electrical Engineering Factories	11	21
Bytca ZVL	12	10
Dubnica nad Vahom Heavy Engineering Plant	13	11
Piestany Chirana	14	20
Bratislava Tesla		6

[continued]

<u>Enterprise</u>	Rank in	
	<u>1983</u>	<u>1980</u>
Dolny Kubin ZVL	16	24
Vrable Tesla	17	17
Bratislava Meopta	18	19
Medzev Strojsmalt	19	2
Martin ZTS	20	22

The group of "superior enterprises" had half of its members from the electronics industry, eight general engineering and one heavy engineering enterprise. At the same time, for example, the Orava Nizna Tesla enterprise, which was first on the list based on an average of all three utilized analytical techniques, was actually in sixth place using the point assignment and least distance techniques, and in fifth position using the variable norm technique.

The enterprises occupying positions 21-35 are listed in the following table.

<u>Enterprise</u>	Rank in	
	<u>1983</u>	<u>1980</u>
Detva ZTS	21	9
Komarno ZTS	22	13
Kosice ZTS	23	23
Nove Mesto nad Vahom Air Technology	24	18
Presov ZPA Dukla	25	32
Dubnica nad Vahom ZVS [General Engineering Plants]	26	26
Nitra Elitex	27	33
Topolcany Elektrokarbon	28	27
Liptovsky Hradok Tesla	29	45
Zavadka nad Hronom Sigma	30	5
Nove Zanky Elektrosvit	31	27
Bratislava ZTS	32	3
Nove Zanky Sigma	33	*
Krompachy SEZ [Slovak Electrical Equipment Plants]	34	41
Piesok Machine Works	35	28

*No export deliveries

This group includes predominantly general engineering enterprises (seven), electronic enterprises (five), and three enterprises from the heavy engineering sector. This overview indicates that the position of the heavy engineering plants in Bratislava, Detva and Komarno declined, along with the Zavadka nad Hronom Sigma plant and the Nove Mesto nad Vahom Air Technology Plant, while certain firms in the electronics industry improved their standing (Krompachy SEZ, Liptovsky Hradok Tesla).

The results of this evaluation are to a large extent dependent on the choice of indicators, the assignment of a weight to each (we used equal weights) and on the techniques employed. A comparison of the results from 1980 and 1983

does, however, indicate the approximate rankings of these enterprises, as well as the sources of underutilized managerial capacity in their operations.

Group of Largest Industrial Enterprises in the SSR

In 1983, 240 centrally planned enterprises accounted for roughly 90 percent of the total industrial output of Slovakia. In addition to their groupings by sector and planning group, it is interesting to classify them by size. Beginning this year we could annually publish a list of the largest enterprises by total output, with this list including only those with an annual output in excess of Kcs 1 billion. At the same time, these enterprises could be ranked by indicators such as number of employees, amount of capital assets, deliveries for the domestic market and for export. A similar list is published in Hungary under the title of "Hundreds Club" and for the most part evokes lively interest on the part of the economically aware public.

Enterprises	Value of output			Number of employ- ees	Capi- tal stock	Domes- tic trade	Ex- port
	1983	1982	1981				
Rozumberok N. Slovak Cellulose	30	31	48	43	6		13
Rozumberok V.I. Lenin Cotton Plant	31	29	28	8	22		46
Vojany Power Plant, k.p.	32	19	15		20		
Svit Chemosvit	33	30	29	37	30		38
Bratislava Kablo, k.p.	34	32	26				
Strazske Chemko	35	33	31	50	14		17
Kosice E. Slovak Milk Plant	36	35				7	
Zlate Moravce Calex	37	40	33	31		16	21
Zvolen Bucina	38	36	30	23	23		42
Bratislav Wine Plants, n.p.	39	50	37		38	9	
Cifer W. Slovak Poultry Plant	40	39	34			13	
Snina Vihorlat	41	41	43	14	37		49
Bratislava Meat Industry	42	37	36			11	
Topolcany Mier	43	45	42	25		26	19
Hlohovec Drotovna	44	42	47		48		27
Bratislava W. Slovak Power Plant, k.p.	45	47	46		4		
Kysucke Nove Mesto ZVL, k.p.	46	43	49	22	34		
Lipt. Mikulas S. Slovak Distillery	47	46	52			12	
Bosany Leatherworks	48	38	50				
Lipt. Mikulas Leather Factory	49	48	53			46	
Trnava TAZ	50	49	35	33	44		
Tlmace SES, k.p.	51	51	44	19	39		24
Presov Capt Nalepka Clothing Plant	52	54	54	18		33	22
Trencin Clothing Plant	53	53	45	16		32	12
Trencin Slovlik	54	52				30	
Myjava Slovak Armature Works	55			32		54	56
B. Bystrica ZVT, k.p.	56			46			
Nove Zanky Elektrovit	57			34			40

[continued]

[continuation]

Enterprises	Value of output			Number of employ- ees	Capi- tal stock	Domes- tic trade	Ex- port
	1983	1982	1981				
Slovnaft Bratislava	1	1	1	10	2		2
Kosice E. Slovak Ironworks	2	2	2	1	1		1
Martin ZTS, n.p.	3	4	4	4	13		3
Dubnica nad Vahom ZTS, n.p.	4	3	3	3	17		11
Detva ZTS, n.p.	5	5	5	6	21		6
Pov. Bystrica Pov. Machine Works	6	6	6	5	9		
Ziar nad Hronom SNP Plant	7	7	7	12	15		52
Bratislava W. Slovak Meat Industry	8	8	8			2	50
Bratislava J. Dimitrov Chem. Works	9	9	9	15	16		7
Sala Duslo	10	14	12	21	7		16
29 Aug Partisan Plant	11	10	11	2	32	8	4
Bratislava Mlex	12	13	22			6	47
Istebne Orav. Ferozl. Plant	13	11	26		52		55
Zvolen S. Slovak Meat Industry	14	12	10			1	44
Humenne Chemlon	15	15	13	20	12		51
Puchov Rubber Works	16	16	14	40	33		15
Kosice ZTS, n.p.	17	17	17	7	26		30
Orava Tesla, k.p. Nizna na Orave	18	20	23	17		3	29
Presov E. Slovak Meat Industry	19	18	16			4	
Kosice Magnesit	20	21	21	9	18		8
Piestany Mills and Bread Plants	21	22	18			15	
Podbrezova Iron Works	22	23	29	27	10		9
Zvolen S. Slovak Milk Plants	23	25	39			5	
Novaky W. Pieck Chemical Works	24	26	20	53	25		32
Sturovo Juho Cellulose & Paper	25	24	25	47	28		20
Bratislava Kovosrot	26	28	33				
Poprad Railway Car Works	27	27	24	38	56		10
Dubnica nad Vahom ZVS, k.p.	28	34	41				
Bratislava Palma	29	44	40			10	

In the industry of the SSR in 1983 there was a total of 57 enterprises whose production volume exceeded Kcs 1 billion.

Number of Enterprises With Indicated Number of Employees

	<u>More than 10,000</u>	<u>5-10,000</u>	<u>3-5,000</u>
1982	6	27	22
1983	6	27	24

A ranking of enterprises by number of employees would yield a different picture, because fully 22 of the billion-koruna enterprises rank lower than number 57. A list ranking enterprises by size would include 23 engineering,

10 light industrial, 8 chemical, 6 wood processing, 5 metallurgical and ore extraction, 2 cellulose and paper producing, and 1 each for coal mining, railway industrial production and power generation among the first 57 firms.

This overview documents the fact that the largest concentration of enterprises is in the field of chemistry, which placed 8 of its total of 16 in the list of the largest firms. In the metallurgical and ore extraction industry 7 of the total of 10 firms are on the list. Of the total of 57 engineering firms, 17 are on the list, 13 of the total of 45 food industry firms are there, 6 of the 32 light industrial enterprises are listed, 2 of the 8 power generation firms, 1 of the 9 wood processing and 1 of the 9 cellulose and paper firms.

When listed according to total capital assets, the first 57 firms include 7 power generation, 3 coal mining, 5 metallurgical, 3 ore extraction, 10 chemical, 3 construction products, 2 wood processing, 4 cellulose and paper, 4 light industrial, only 1 food, 11 engineering, and 1 gas production enterprise.

A listing of the largest enterprises based on delivery volume for the domestic market in retail prices differs from the list by total production volume mainly in the different character of the final use of the output, the formation of retail prices, and the organization of sales, which in many instances is concentrated in a VHL. Only 21 enterprises with more than Kcs 1 billion in revenues belong on the list of the 57 largest suppliers of the domestic market. These 57 suppliers include 31 from the food industry, 13 light industrial firms, 6 engineering firms, 5 wood processing firms, 1 chemical firm (Benzinol Bratislava) and 1 cellulose and paper firm.

The list of the largest exporters is characterized mainly by the concentration of sales. This is influenced by the fact that the 57 largest exporters include 9 chemical firms, 7 wood processing firms, 2 cellulose and paper firms, 10 light industrial firms, 4 food industry firms, 19 engineering firms, 5 metallurgical firms and 1 ore extraction firm. At the same time, 38 of the largest exporters are also included among the 57 largest industrial enterprises.

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CSO: 2400/445

CPCZ OFFICIAL URGES NEW APPROACHES IN AGRICULTURE

Prague HOSPODARSKE NOVINY in Slovak 31 Aug 84 p 3

[Article by Eng Ludovit Posa, CSc, CPCZ Central Committee official:
"Searching for New Strategies To Improve Economic Mechanism in Agro-Food
Complex"]

[Text] The fundamental requirement of the planned management system for the agro-food complex is that it efficiently focus economic activity on the assurance of the food and agricultural raw materials needs of the population, with special emphasis on domestic sources. The assurance of nutritional requirements has for some time now not only been in the hands of the agricultural sector, but also dependent on the work of a number of other sectors, from producers of capital equipment to service and marketing organizations.

The close connection between the agro-food complex and the entire national economy makes it essential that the management regulations of the agro-food complex be as close as possible to those governing the national economic system. These regulations must be based on the broad utilization of goods and cash flows, along with khozraschot principles which function objectively within the context of the law of the planned and proportional development of the national economy and the other economic laws of socialism.

Meeting the foregoing objectives will depend on more consistent compliance with the principles of democratic centralism and the elimination of excessive administrative intervention in the activities of basic production units. For practical purposes, this strategy will be implemented through contracts and a mutual sense of economic responsibility on the part of all participants in the food production process. One area where there have been persistent problems is the formulation of various aggregate plans for the agro-food complex which "guarantee" deliveries of production assets to agro-food enterprises without addressing the issue of the economic interest of the supplier. Equipment deliveries to agriculture as a rule arrive late and are incomplete. Suppliers function relatively passively, continue with accustomed practices, do little to determine real market needs. As a result, they are chronically behind the times in both research and development work and in the construction of facilities for the production of capital equipment for the agro-food complex.

Reconcile Interests at the Planning Stage

Management mechanisms must be expanded to include the basic principle of khozraschot relationships between socialist organizations and enterprises, the basis of which is the proper integrating of the interests of society, the collective and the individual. The management system must offer substantially broader rights to khozraschot entities, i.e., agricultural as well as food industry enterprises, while also clearly assigning responsibility for production among elements of state economic management and the khozraschot sphere.

Experiences to date also indicate that it is essential to improve and intensify the coordination between the development of agricultural production and that of the food industry. Despite the fact that since 1967, both sectors have been under the same ministry, the possibilities inherent in this arrangement have not yet been utilized. Proof of this is the lack of spatial coordination of production, high losses of harvested production, low raw material quality, etc.

During this time these shortcomings have been noted on numerous occasions, and measures have been taken to deal with them. These include a substantial reduction in the number of specific indicators, emphasis on increasing the quality of contractual relationships between agricultural enterprises and food industry organizations, etc. Despite these measures, there have been no great improvements. In spite of the reduction in the number of binding plan indicators, there has been practically no change in the actual activities of the pertinent managerial elements, above all the kraj and okres agricultural administrations, or in their relationships to agricultural enterprises. Middle levels of management continue to require the distribution of all production and procurement tasks throughout a given territory. The position and role of middle management in agricultural organizations have not changed significantly, which has necessarily meant the retention of their previous techniques and style of work.

The current planning system, therefore, with its excessive administrative work, must be simplified. Above all, it is essential to define strictly the role and duties of middle management in agricultural organizations. Responsibility for the assurance of the requisite quantity, quality and timely delivery of raw materials must be transferred to the consuming organizations, along with a substantial expansion of economic mechanisms and incentives. This planning technique makes it possible gradually to move toward the planning of so-called vertical products integration. This change, however, requires an improvement in the system not only of economic mechanisms, but also of legislative and legal standards, and in particular the binding nature of contracts.

Increasing the independence of agricultural enterprises should also have an impact on material and technical supply and the enterprise regulation of capital investment. Experience shows that along with loosening constraints on production, it is also necessary to reform the existing distribution system for the acquisition of capital assets. It is necessary to develop a situation in which distribution is gradually replaced with the free procurement of capital assets, depending on the income of a given enterprise. Binding volumes of

capital investment should be set at the ministry level, while in the enterprise sphere investment activity should be regulated by economic and financial mechanisms.

Economic Mechanisms Above All

One cannot conceive of increased economic efficiency without an improvement in the system of economic mechanisms as well as of the entire system of economic and moral incentives. It is through these that khozraschot management principles may be applied, as well as the economic criteria for their effective functioning. The fundamental precondition for the implementation of khozraschot principles in agricultural enterprises is the certainty of resource availability. I will mention only two of a broad range of problems: the establishment of criteria for agricultural equipment deliveries and the formulation of price formation principles for agriculture. In setting equipment prices it is necessary to take account of the systemic realization of value added relationships. In particular, the prices of purchased production assets and particular machines should reflect their social costs while at the same time reflecting overall quality, reliability, performance, etc. The present situation, in which the price ratio between procured production assets and the procurement prices of agricultural commodities continues to diverge, cannot be allowed to continue. Usually, in fact, it is the prices of machinery that are constantly increasing without a commensurate increase in their quality and performance. Nor are they delivered in the proper equipment combinations to be really useful. In contrast, the prices of agricultural products are revised only infrequently, which gradually weakens the financial resiliency of economic enterprises. Changes in agricultural equipment prices should be monitored on a continual basis by an objective organ in the form of comparable price indexes. In conjunction with changes in this equipment index, measures could then be taken to replenish the financial resources of enterprises (either by adjusting procurement prices, providing tax incentives, etc.), depending on changing external and internal conditions and national economic strategy.

Current agricultural price formation is derived from the conditions under which most of the products in question were produced. This practice fosters the establishment of subsidies and other non-khozraschot methods for reallocating net profits, thereby undermining the economic role of prices as the economic stimulator of more sophisticated production and increased productive efficiency.

However, Marxist economic literature identifies another approach, the basis of which is the restriction of the objective validity of differential rents.

Price formation for agricultural products should be determined based on conditions on inferior soils, in conjunction with the valuation of the land. Enterprise and state incomes should remain about the same, while the mechanism of regulating rent relationships should exert a more active influence on efficiency growth.

Given our conditions, it is impossible to produce enough food and agricultural raw materials without state intervention. The alternative would be unacceptably high retail prices. For this reason, state subsidies will continue to be a part of food policy. So far, however, we do not have fully formulated principles of a state subsidy policy for the entire food sector, including the issue of retail and wholesale prices. These must be set for subsidies to be most efficiently utilized and distributed, throughout the vertically integrated production process, where they will do the most good and have the greatest impact on output while fulfilling a social function as well.

Changing weather conditions also make it essential to develop more thoroughly, within the system of economic mechanisms, a system for the formation of reserve and risk funds, and to conceive of basic principles for an expansion of agricultural insurance. This would then make it possible to deal with annual fluctuations in agricultural production more effectively and provide greater economic stability for enterprises affected by such fluctuations.

Priority for Economic Incentives

Along with a strengthening of enterprise accountability for the fulfillment of production tasks, their responsibility for the fulfillment of their socioeconomic function in relation to the work collective must also be increased. Basically, this means that criteria must be established for enterprise and personal economic incentives by establishing principles for the formation of basic wages and bonuses. These principles must be determined by taking into account both sectoral peculiarities and agricultural principles. A state organ will set binding rules to guide the overall development of wages and bonuses based on the value of the output of given organizations, with no social preferences coming into play. This will be assured by the establishment of a tariff wage system and a tariff qualifications catalog, along with the accompanying levels and rates.

The main criteria for enterprise economic incentives in agriculture must be similar to those used for other national economic sectors, i.e., either adjusted value added or gross revenues. This will be possible, however, only assuming that there can be a concurrent systemic resolution of the consequences of changing weather conditions by means of agricultural insurance. These criteria should stimulate the interest of enterprises in increasing productive efficiency, because it will force them to monitor cost developments more closely, especially materials costs. Enterprises currently recognize two types of korunas: a hard koruna, representing wages payable resources, and a soft koruna, representing material costs.

Even with economic incentives, however, economic pressure must be increased on khozraschot enterprises for production efficiency, an area where too much benevolence and subjectivism is currently tolerated. I have in mind the attributing of actually achieved results to unfavorable weather conditions and the adding or subtracting of portions of actual output from totals. A system must be introduced that enables enterprises to make payouts from the bonus fund only if one actually exists, regardless of whether it was a good or a

poor year, and they must use it over the long term. It must be possible for them to create the funds for bonuses in the good years for the poorer ones, and for them to transfer these funds from one year to the next.

The further development of existing regulations should also make it possible for enterprises to choose a form of compensation that is most appropriate for their specific conditions and that makes the greatest contribution to the achievement of cooperative and public objectives.

* More Efficient Organizational Structure

One of the most sensitive aspects of the planned management system is the improvement of production-organizational and managerial structures. Along with this improvement in planning, there must also be a more flexible resolution of marketing. At present agricultural enterprises have monopoly consumers for their output, which is not always correct. It would be desirable to permit multiple outlet sales of certain products. This would reduce the dependence of enterprises on their customers and create the conditions for competition. This is the only way that consumer preferences are ever going to be reflected in the supply of goods.

The goal of public self-sufficiency in food is forcing consideration of the idea of processing agricultural raw materials at agricultural enterprises. Economic mechanisms will also have to be adapted to these forms of final production, and the production of capital assets will have to be assured even for smaller facilities. In addition to improving the mix of goods available on the market, this resolution will better utilize the work force, production assets and agricultural raw materials.

Improving the planned management system will be a difficult, dynamic and long-term process. However, a scientific resolution of these problems is not possible without more assertive experimentation and a search for new strategies based on Marxist-Leninist theory. This article is intended to contribute to this search and to serve as a stimulus for future discussions.

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BRIEFS

CORN HARVEST THREATENED--In the West Slovak Region, farmers do not expect corn on more than 20,000 hectares to ripen; the same applies to Central and Eastern Slovakia, where 3,000 hectares are affected in each region. [Summary] [Bratislava ROLNICKE NOVINY in Slovak 27 Sep 84 pp 1, 2 AU]

URBAN RECEIVES ARGENTINE DELEGATION--Bohumil Urban, minister of foreign trade, had talks in Prague today with head of the Argentine economic delegation Nestor Stancanelli, about the development of economic cooperation between the two countries. The two sides expressed interest in the further development of economic relations. A meeting of the Czechoslovak-Argentine mixed economic commission also begin today in Prague. [Text] [Prague Domestic Service in Czech 1730 GMT 10 Oct 84 LD]

SAVINGS IN SLOVAKIA--According to Ing Jozef Lassak, director general of the Slovak State Savings Bank, the deposit increment in Slovakia from January to the end of August 1984 amounted to almost kcs 2.4 billion; that is about as much as last year. In the first month of the year, a total of kcs 13.48 billion was deposited on their accounts by the citizens; and kcs 11.94 billion was withdrawn. Currently, the average deposit amounts to kcs 11,500 per citizen. This year the savings bank handed out 130,000 loans to the tune of kcs 2.5 billion. [Summary] [Bratislava PRAVDA in Slovak 2 Oct 84 p 2 AU]

FIGURES ON STATE FARMS--Currently, the CSSR has 228 state farms; the average acreage of a farm in the Czech socialist republic is about 11,000 hectares, and in the Slovak Socialist Republic 5,500 hectares. During the Sixth 5-Year Plan, the state farms registered losses to the tune of almost kcs 1.7 billion; in the years 1982-83 they registered a profit amounting to kcs 2.9 billion. Currently, there are 67 specialized state farms of the organizations of biological services in the CSSR. The farms in border areas, coal basin areas, industrial areas, and areas around the cities continue to have serious problems with the qualification and the high turnover of manpower. The adopted measures have not yet resolved the problem of stabilizing manpower. [Summary] [Prague RUDE PRAVO in Czech 26 Sep 84 p 1 AU]

COOPERATION TALKS AT LEIPZIG AUTUMN FAIR

AU071047 [Editorial Report] East Berlin NEUES DEUTSCHLAND in German on 5 September on page 2 carries various reports on meetings at the Leipzig autumn fair.

A 140-word report is given on a meeting between Horst Soelle, GDR minister of foreign trade, and Nikolay Osipov, USSR deputy minister of foreign trade to "discuss measures to implement agreements on economic and scientific-technological cooperation, in particular in the field of the consumer goods and foodstuff industry." The report then states: "The talk also centered on the steady continuation of the supplies of raw materials and industrial materials from the USSR to the GDR national economy, as well as on specialization and cooperation questions concerning mutual deliveries of products of the metal-processing industry."

A 100-word report deals with the meeting between Gerhard Beil, state secretary in the Ministry for Foreign Trade, and Willy de Clercq, vice premier and minister for foreign economic relations and finances of the Kingdom of Belgium, in which they stressed their "interest in the further development and unhampered expansion of economic relations" between the two countries.

A 160-word report deals with the meeting of Rolf Kersten, minister of heavy machine construction and installation construction, with Ahmed Abdel Aziz [spelling as published], first deputy minister for economy and foreign trade of Egypt, in which they exchanged views on "mutually interesting questions of cooperation in industrializing the Arab Republic of Egypt." According to the report, Rolf Kersten also met with Ryosaku Fujitsuka, executive director of Mitsubishi Heavy Industries, and with the Cuban foreign trade minister, Ricardo Cabrisas Ruiz.

A 140-word report is given on the meeting between Guenther Kleiber, GDR minister for general engineering, agricultural machinery and vehicle building, and Sharat Mohammed Ahmend, [spelling as published], head of the delegation of the Yemen Arab Republic to the Leipzig fair. The report states: "Both sides stressed the importance of the Leipzig fairs for the development of economic relations. Sharat Mohammed Ahmend submitted proposals for further cooperation within the framework of the existing agreement on economic, industrial, and technological cooperation, and stressed the interest of his country in transportation equipment, technical textiles, kitchen equipment and other products of the GDR."

GERMAN DEMOCRATIC REPUBLIC

STOPH, BELGIAN VICE PREMIER HOLD TALKS

LD062126 East Berlin ADN International Service in German 1235 GMT 6 Sep 84

[Text] Berlin, 6 Sep (ADN)--Willi Stoph, chairman of the GDR Council of Ministers, and Dr Willy de Clerq, Belgian vice premier who is in the GDR to visit the Leipzig fair, have announced their interest in a further expansion of the development of bilateral relations between the GDR and Belgium.

They agreed in assessing equal cooperation for mutual benefit between states with different social systems and the deepening of the political dialogue as an important contribution to international detente, which was particularly necessary in view of the present aggravated situation.

Willi Stoph briefed his guest on the efforts and successes of the working people in the 35th year of the GDR's existence and on their determination, through the strengthening of the socialist states, to do everything possible to safeguard peace. Pointing to the confrontation policy of certain imperialist circles, he explained the GDR's policy, based on the joint decisions of the Warsaw Pact states, for arms limitation and disarmament on the basis of equality and equal security.

Also taking part in the talk were Secretary of State Dr Gerhard Beil, member of the Council of Ministers, and Dr Herta Koenig, deputy minister of finance. The Belgian charge d'affaires ad interim in the GDR, Michel Godfrind, and other personages were present for the Belgian side.

CSO: 2300/56

HUNGARY

FUNCTIONS OF ECONOMIC POLICING OUTLINED

Budapest MAGYARORSZAG in Hungarian No 34, 1984 p 21

[Article by Endre Varkonyi: "Economic Police--The Old and the New: Absolute and Relative Shortages; Battle Against Bribes"; part IV of a series]

[Text] We must make more precise what was written last week: the division, later the section, of economic surveillance had been discontinued to be sure, but there has always been a police organization dealing with economic matters since then. This does not change the fact that only a few of those who carried out the large-scale activities remained in their places after the "purges" that began in 1949.

We have already spoken about Dr Andras Villany, chief of the GRO [Economic Police] He gave thousands of indications of his skills and his loyalty to the new system. He was hardly able to take time for his family; he comforted his wife with: "The war will last five years more for us, but after that we will live in a happy country." But he didn't even live out the five years: first he was transferred to the Ministry of Finance, then shortly afterwards he was arrested and executed as one of the accused in a made-up case in connection with the Rajk case.

Others had better luck. We don't have room to list their names, but we can say this much: there were some that remained in the police, others worked in civilian life until 1956 then volunteered for armed service and again became policemen. Still others worked in various areas until they retired or until the end of their lives. A few are still active.

Short Weight and Its Companions

Since 1 July 1984 economic police in the headquarters of the Budapest Police has operated as an independent police organization. Its task briefly is: more effective prevention or detection of crimes, mostly of a corrupt nature, of raising prices, speculation, and harm to consumer interests in the areas of management, consumption and utilization.

Such activities have doubtless multiplied in recent times--from "mistakes" of a few forints to swindling of millions. It is not our task here to

study the causes, although it is well known that today's economic crimes are connected with many things. Behind them there is—in some cases—a conscious intention to speculate or a misuse of greater freedoms by private enterprises, but a factor that cannot be neglected is the fact that the low wages of workers in business and public accommodation "units" plays a role in some of them. And not least: the shortages that appear almost continually in certain areas.

If the quotation cited in the first part of our series—that high costs cannot be combated with detectives, only with goods—was true in 1945, it is also true that behind most cases of speculation and giving and receiving bribes a shortage of goods is lurking. Absolute or relative shortage of goods. Those cases are to be understood as "absolute" in which there are few goods available throughout the country (certain building materials, automobiles, etc), whereas a goods shortage is "relative" when there is none of something or a poor selection of it in certain parts of the country while elsewhere one could "dam the Danube with it." It is not uncommon for goods shortages in this latter category to be caused intentionally by some people.

("According to estimates, the amount by which stores, shops, businesses with free accounts, the private sectors, and public accommodations tax the pocket-books of the consuming public reaches 8-10 billion forints annually."
—MAGYARORSZAG No 32, 1984)

"We are interested in matters that irritate the consumers," says police lieutenant colonel Ferenc Toth, director of economic surveillance. "For example, short weights, raising prices, and failure by public accommodations to provide services according to their classification. We investigate cases in which a certain item can only be obtained through bribery, mainly durable consumer items and items with chronic shortages. It is not at all our goal to punish businesses, no matter which sector they belong to. If we encounter an item in short supply, we examine first of all why it developed a shortage. We have already had cases where we found the error known as "diversion of goods," and that was why there was a shortage. At such times we report our observations to the enterprise concerned.

Cooperation among Inspectors

Today one can hardly conceive of police control of economic matters in any other way than in close unity and cooperation with other control organizations and bodies—and with buying public. And also with the producing and retail (not wholesale!) enterprises' internal controls. The director of economic police speaks in this manner:

"When we encounter an abnormal phenomenon or suspicious activity, it may have been reported to us by union or social inspectors, boards of directors of business, and in certain cases also by people's control committees. Similarly we communicate our experiences to these control organizations. Although our tasks differ, they meet in several areas, and for this reason we make our experience available to one another. But perhaps more important

than this would be for the internal controllers in the enterprises to rise to their callings. Unfortunately, this is not happening. It has been our experience that internal control today is the most neglected area. In very many places the controllers and their superiors are trying to smooth matters over and handle affairs within the enterprises.

Since economic police in this present form is a new organization--although protective divisions and groups for the national economy and for social property have been operating in every police headquarters and station--an advisory body has also been set up beside it. This consists of the directors of the economic, state and social control organizations mentioned before. Similarly, an advisory group of 9 people, the members of which are retired senior police officers, has been formed to assist the work of economic surveillance. It includes some officers of the former GRO. Economic surveillance is also assisted by a police unit of volunteers selected for this assignment.

As far as the members of economic police in its narrow sense are concerned, most of them have completed college and have several years of police experience. Their area of operation is the capital--as they belong to the Budapest police headquarters--but when needed they can work in any area of the country on the basis of special orders from their superiors.

The work they do has many layers, though it is much less visible than that of their predecessors, who had such a great past. Now there is no longer a need for large-scale raids, where hundreds of people are checked and questioned, as there was in 1945-49. But raids--even though of a different kind--are not missing from the sphere of activities of a police organization.

"In the very first days of economic policing," says Lieutenant Colonel Toth, "we conducted two large market inspections. We examined the markets on Feny Street in Buda and Kossuth Square in Kispest. In both places the "results" were greater than we expected: we found false measurements and duplicate charges and other irregularities that harm the consumers at 90 percent of the sales points."

There will be surprise inspections of this kind in the future too. The first two cases showed that there is a need for them.

Only in Criminal Cases

Economic policing--and its directors emphasized this repeatedly--starts with interests of the population, attempting to intervene in every case of injury to the interests of consumers or of bribery (and concealment of goods connected with it) that comes to its attention. It is not directed against businessmen's trade, but against dishonest profits arising from harming buyers and consumers--no matter what the occupation of those who enjoy such profits may be.

This also includes the fact that it is not the task of economic police to investigate the origin of possessions suddenly acquired. (This--as in most countries--is a matter for the tax offices.)

"We only investigate the value of the possessions of an offender in cases where there is a suspicion of crime," the director of economic police emphasizes, "and then it is so that he can repay the damage he has caused. It has been our experience that they usually do have enough."

Nevertheless, the buyer who has suffered many times and in many places and the citizen who has repeatedly looked in vain for certain items ask justifiably whether all of this will result in fewer shortages. Naturally the new police organization and its employees cannot perform miracles. They cannot make up for imports that arrive irregularly, and they cannot provide goods that are needed but not available.

"But we can and wish to help," they say, "so that goods stored unnecessarily in warehouses are made available and so that anyone can buy the goods that certain people are making short supply of (even though there would be sufficient stock) in order to fill their own pockets by demanding bribes for them."

Economic policing also makes use of the cooperation of the public. Even if there won't be any "sensational" reports from the scene, they will certainly make sure that from time to time the public will be informed of crimes they have uncovered, through the press, radio and television.

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CONCEPT OF STATE BUDGET IN NEW PHASE

Budapest KOZGAZDASAGI SZEMLE in Hungarian Vol 31, No 7-8, 1984 pp 836-844

/Article by Dr Istvan Hagelmayer, candidate, university lecturer, director of PM's /Minister of Finance/ Financial Research Institute: "Concept of State Budget in New Phase"/

/Text/ The title is immodest but let me defend myself by saying that I did not choose it. It is immodest because it suggests that I possess such a wealth of information which—at least within my head—having formed into a consistent system, outlines the picture of the "new phase," and sort of as a corollary variable to it, as if I could outline the state budget's concept.

The "new phase"—if we deduce it from the changes in global economic conditions—is not beginning now. Since the end of the first one-third of the 1970's we have been living and conducting economic operations under new conditions, only its recognition required preciously wasted years which are difficult to replace. The recognition at the end of the last decade was followed by redefining the economic policy's system of goals. But selection of the correct tools supposedly serving to implement the goals fitting the situation at hand—and accepted at times in dire situations—was always followed by either disapproving grumblings or attacks by the trade press, and the results may have provided the basis for this. Even though the difficult situations were successfully survived (for example, in 1982), yet the self-reinforcing processes which would bear the guarantees of adjusting to the change circumstances did not begin in the economy. In society it was not identification—growing ever stronger—which encourages activity, but rather uncertainty which reflects blurring of the view of the future.

This is why the new recognition could become universal. The practice followed so far—in governmental direction, planning, regulation, etc.—may be suitable to put out the fire, but it cannot prevent the fire from starting (repetition of crisis situations). The mobilizing power of the goals has become doubtful—the stagnant standard of living cannot trigger enthusiasm over the longer range even if it is accompanied by the statement of "preservation" to make it nicer—and a critical evaluation of the means used convinces people that the efficiency of past methods is insufficient, and also that many things should be done differently. "Differently" in itself does not yet deserve a positive sign. But the guideline of intentions now reduced into a resolution indicates that

we are trying to further develop the merchandise and money circumstances, increase enterprise independence and responsibility, and strengthen social and economic democracy.

This is what I would consider that newer "new phase" whose very beginning is still ahead of us and the end of which cannot be foreseen. A new process is beginning, about which--knowing our social and economic problems--only that much can be stated that it would be nice if it began as soon as possible. Then perhaps we could also redefine our social and economic policy goal systems earlier than we have any hope of doing now--approaching the possibilities and needs.

All this also affects the national budget since the changes and processes occurring in economy and society--especially if they also affect the state's role related to the financial processes--are also reflected in the size and internal proportions of incomes and expenses. At the same time the state's incomes and their changes may modify the originally developed income proportions, and its expenses--to an extent that depends on volume and internal proportions--affect the development of the demand structure, the position of economic units, the standard of living, health care, education, as well as the social situation of society's members. Even this improvised and undetailed listing shows that the budget--deriving from the system's character and expansion of the state's role accepted in "better times"--is unavoidably present in everything we used to summarize under the title of "quality of life." The "newer new phase" has significance from the viewpoint of shaping the future, but perhaps it is not without interest--for the purpose of evaluating what is being learned--to also briefly review the changes in the budget of the time period we have just left behind.¹ It may be important to review the way the size of the budget's total incomes and expenses develops over a longer time period, since this on the one hand has an effect on the income position of the taxpayers (in this country today primarily the economic operating units), that is, on the area of movement of their activities supported by money income, their intentions and opportunities, and on the other hand--through the volume of expenses--on all the social and economic situations and processes in which the state is present with its demands or support system built up in the course of time. Thus analyzing the budget shows the extent to which the state has been built into the financial processes which modify and influence the original positions. (But this is not the same as intervention by the state; there is a number of other well-known forms of this which do not involve financial processes.)

Development of Budget Revenues

It seemed obvious to compare--if for no other reason, then for international comparability--the main sum of the budget's incomes without loans, with the GDP [gross domestic production]. Before reviewing the data of the time period between 1967-1982 I presume that partly the change in the economic management system (this is why I chose 1967 for starting base) and partly the outside influences which affected our economy, are significantly affecting the ratio between the budget revenues and the GDP. While it is true that the ratio between the budget revenues and the GDP has decreased from 51.1 percent in 1967 to 47.3 percent in 1968, but after this it has gradually increased year by year

and reached the highest ratio (57.4 percent) of the time period under study in the year 1974, then practically every year it has fluctuated slightly and at a somewhat lower level (the lowest was 54.8 percent in 1982). That much can be concluded that the centralized ratio was higher every year after 1971 than in the year prior to the change in the economy's management. It is also worth mentioning that in the OECD /Organization for Economic Cooperation and Development/ countries in this same time period this ratio was fluctuating between 30-35 percent, but even there it was generally on the rise.

I further presume that the changes already mentioned modified the internal proportions of the budget revenues, that is, the changes affected to varying degrees the various income owners--with respect to their relations with the budget. On the basis of analyzing the time period it is noted that even though minor shifts in proportions can be demonstrated, yet in certain time periods these are "modified back" and do not reach that difficult-to-define critical dimension on the basis of which noteworthy conclusions could be drawn. I think it is not surprising that the ratio of payments made by the enterprises (together with the sales tax) has all along exceeded 80 percent of the incomes calculated without the loans. Even though in 1968 this ratio decreased to 84 percent from 87.5 percent in the previous year, but after this in the entire period it was around 85 percent with negligible fluctuation. In recent years the proportion of payments the population made to it increased slightly, which was 5.2 percent in 1967 and 6.7 in 1983. The proportion of all other revenues remained under five percent. No characteristic movement is seen with respect to the proportions of the budget's main sources of revenue to each other. I still consider noteworthy two phenomena which presumably can be considered seeds of future endeavors. On the one hand the proportion of sales tax has been increasing since 1979 in the payments made by the enterprises, and on the other hand the weight of withholdings from income related to wages (social security contributions, income tax, retirement contributions) have been gradually increasing. The first one is attributable to a step approximating the value-proportional price system, while the second one--while it increases the cost of manpower to the enterprises, and thus will presumably encourage more rational economic operation--represents a separable source of money which creates an alternative possibility for later decisions.

With respect to the budget revenues the following items may be defined as summary:

--The proportion of the budget revenue with respect to the GDP is rather high, and--apart from the first one-third of the 1970's--it can be called constant for a decade.

--No significant changes can be demonstrated in the proportion of the budget revenues with respect to each other; 85 percent contribution by the enterprises has practically been established as the "norm," and the proportion of payments by the population is low but it is increasing slightly.

--Meaningful change--from which perhaps conclusions can also be drawn for future efforts--is indicated by the increasing weight of two categories; the sales tax and income withholdings connected to wages.

Development of Budget Expenses

A much larger change and movement can be seen in the budget expenses. It would be good to review the year-by-year change in each individual item (average growth and the proportion to budgetary expenditures and the GDP), but it will perhaps be sufficient now to pick out some of the characteristic tendencies.

1. The first characteristic feature noted during the course of analyzing the data is that the yearly changes in practically every single expenditure show large fluctuations.

2. My second conclusion is that even though between 1968-1982 alternating increases and decreases can be observed for practically every one of the more important expense items, the expense structures of social security and the budgetary organizations are changing significantly.

The items affected encompass almost 85 percent of the budget expenditures. The conclusion can be drawn from analyzing the data that the proportion of expenditures aimed at accumulation has decreased significantly, and the one related to social security has increased significantly. But the weight of continuing subsidies and consumer price supplements is still heavy. Indeed, the combined ratio of the two has even increased (25.4 percent in 1968, 30.2 in 1975, and 28.8 in 1982).

Changes in the expense structure which can be considered more significant took place at the end of the 1970's and at the beginning of the 1980's, that is, after economic policy goals had been modified. The tendency which can be demonstrated in the structural change reflects in part the economic policy efforts, but the difficulty of fulfilling them and shortcomings can also be shown.

Cutting back domestic consumption is followed by a very strong and escalating decline in expenditures aimed at accumulation. The growth rate of continuing subsidies--except for 1 year--is moderating (of course, it is very debatable whether this is sufficient). Similar things can be said about the consumer price subsidy. Expenditures of budgetary authorities and social security are increasing--though at a high level, yet at a diminishing rate.

The decline in accumulation expenditures appears in the budget as a consequence of cutbacks in investments; the high ratio of continuing assistance--even with its decreasing growth rate--indicates unsolved problems in increasing the efficiency. And expenditures of budgetary authorities and social security (as not negligible factors of maintaining the standard of living) are, even if at a reduced rate, increasing each year at a rate exceeding the budget revenues. (This, by the way, is valid for the entire time period between 1968-1982!)

The title "expenditures of the budgetary authorities" covers several expenditures which differ from each other in social significance and function. From the viewpoint of implementing the social policy goals, the way the expenditures serving the supply of health care and the needs of education and culture are developing, has outstanding significance. In both areas the average growth of recent years (1978-1982) is around 12 percent, while the relatively high growth rate is gradually decreasing.

3. The rapid growth of expenditures by the budgetary authorities and social security can be maintained only if

--the possibility exists in the economy for increasing the national income to an extent which permits a certain increase of domestic consumption without deterioration of the external equilibrium, and/or

--there is a way to further change the domestic proportions of the expense structure to the benefit of the broadly interpreted human sphere, at the expense of the economic sphere, and at the same time

--when ranking the needs which can be considered truly social, together with bringing the needs and possibilities closer to each other we find a way in financing to implement the rationality requirements, while respecting the human interests which follow from our system of social values.

Thoughts on the Size of Redistribution

Concluding the brief analysis of the way incomes develop, my opinion is that the ratio of removing the incomes realized by the enterprises is relatively high, and thus the size of budgetary redistribution can also be qualified as such. Considering the incomes I have arrived at this conclusion because this exceeds one-half of the GDP, the proportion of income available to the enterprises is small, and the subsidy proportion in the profit of the enterprises is large. It is typical data that during the span of the entire time period the withdrawn proportion of net income varies between 70 and 80 percent, while the proportion of subsidy to net income fluctuates around 35 percent (but approaches 50 percent between 1974-1978, then by gradually decreasing it "reverts" to the 35-percent level). This conceals a significant income redistribution. Without thorough analysis of the enterprise income position--I know that this weakens the merits of my opinion--my opinion is that the remaining income does not leave sufficient opportunities for the "enterprising enterprise." As some enterprise managers word it: "It is not enough for life, and too much for death."

The size and proportion of withdrawal--in spite of problems noted and others not mentioned--becomes acceptable if it can be clearly proven that without the redistribution implemented in the budgetary expenditures in the operation of society and economy greater problems would develop than those we must face today. Thus, reviewing the expenditures the question can be posed: Is the proportion of redistribution really too high? I cannot give a clear answer to this question. Among the proposed changes which affect the economic sphere the need to decrease the subsidies is always primary, and this is also a recurring task--because it is unsolved--of the government. If I wrote on the previous pages that the high proportion of subsidies also indicates economic efficiency problems, then I will now risk reversing the statement: the subsidies temporarily "cover up" poor efficiency, and thus do not force increases in production profitability. But in this interpretation the ratio of redistribution within the economic sphere is high, because it does not force us to fulfill one of our most important economic policy goals, increasing efficiency. Defining the conclusion is easy;--which I also consider necessary--in the future we

must make more determined efforts than before to cut back subsidies. I do not think it can be considered an argument against the goal if I also mention the difficulties involved in implementing it. On the one hand the well-known limitations of replacing uneconomical production with import today narrow down the circle of possibilities of otherwise rational decisions. On the other hand--and it would also be too bad if this were omitted--a given level and structure of employment, where any changes--even the very necessary and rational one often involve conflict-laden changes in the fates of individuals and social strata, has been built upon a given production structure. The requirement has already been defined several times, that the enterprise should be able to employ only efficiently. Assuring full employment should be the state's concern. We cannot believe that solving this is a simple problem. I still profess that insisting on increased efficiency while decreasing subsidies is a matter of such social magnitude that its violation could involve the conflict of not just various groups but of society as a whole. For the very reason that the subsidy itself, its distribution and decrease could affect broad circles of social and economic interests, it would be important--wherever this is possible--to convert continuing subsidy to a one-time development subsidy. It would have even greater significance than this to transform the distribution mechanism of subsidies in such a way that it would ensure openness of distribution as a function of socially-accepted goals, democracy which would guarantee that the interests confront each other and are resolved with acceptable harmony, that is, that redistribution that is often based on complex personal connections and positions be cut back.

The so-called subtractive regulation should also be mentioned here. In the national administration and even at relatively low levels of it, this provides an opportunity to award various benefits which do not actually get listed among the subsidies but which in their administrative effect can hardly be considered to be a "quite different" category. This too is redistribution which, however, circumvents the budget. Its proliferation (I hope the word is excessive and covers unjustified concern) also threatens with the danger that a possible decrease in subsidies will be replaced by an expansion of benefits. But I can also go further (and I again hope that I am not just painting the devil on the wall). If subtractive regulation gets out of hand, it may lead to or approach a situation where relaxation of branch dependence is replaced by state paternalism appearing in the practice of a functional organization. In theory the construction provides the opportunity for rapid solution of minor problems, and I do not wish to question that this is justified at times, yet I feel that the extent, the purpose and the expected result call for precise regulation and social control.

When we consider decreasing the subsidies we cannot forget the fact that most subsidies today appear at three points of the national economy: in consumer prices, in agriculture and food industry, and in export. These areas have a strong effect on the standard of living, and our interests that are tied to increasing the export. Of course, it is true that the interests tied to the standard of living and increasing export can also be implemented in other ways, but it is also at least this clear that linear or even differentiated decrease of the subsidy in itself does not promise satisfactory results.

Thus in the economic sphere I consider redistribution to be too big, and its decrease justified--together with the transformation of distribution mechanism. I have also discussed the restraining factors and difficulties.

Redistribution directed into the human sphere (health care, education, culture, social security) in the last decade regularly exceeded the growth rates of the national income and the state budget revenues, therefore I could even word it in such a way that because redistribution is large here and is even increasing, and as it keeps bumping repeatedly into the budgetary limitations that are also determined by the economy, decreasing its extent is justified. But this would be an incomplete answer since everyday experience--besides trade literature--also proves that in practically all areas there are significant shortfalls even with respect to reasonably low demands. That is, redistribution is largest in this sphere, yet even more of it would be insufficient. Beyond the moral considerations it could also be brought up--and justifiably so--that limited satisfaction of the needs appearing in this area again has a negative effect on the present economy as well; when someone is being cured slowly, he will return to work that much later. It also endangers the economic growth of the future; if someone is trained poorly in school and receives only morsels of the culture, he will also be less suitable at work for the requirements dictated by the growing technology. Besides this it also deteriorates the working man's general sense of wellbeing if the problems of childrearing weigh more heavily on him because of his income, or if he sees in the future even his retirement pay, which is smaller than his income, continuously losing some of its real value. Thus the problems are depressing and real, but unfortunately the economic possibility is not an imaginary limitation either.

If I had a recipe for a probable solution, I would not keep it a secret. Neither can I find reassurance from the fact that--at a higher income level--welfare states significantly better developed than ours are also struggling with similar problems.² Only a few people can imagine a society--much like medicine which could ease or end all pain--which would channel all benefits and services presently assigned into the sphere of social care into the realm of the world of merchandise, and this would result in fairer distribution and better satisfaction. But more people profess that strengthening the merchandise character--that is, accepting a portion of the costs--would ensure utilization closer to the optimum, and better satisfaction of the needs.

That much is certain that (especially in recent years) we have been operating in a circle of limited opportunities and therefore it is justified--even necessary--to compare the demands with the possibilities, and work out solutions which help (or at least do not hinder) the implementation of our social and social policy goals. It can also form a part of this examination, whether we spend enough of the available income on reaching the given goals (and, of course, at the expense of what the share of these goals can be increased), how the distribution mechanism is functioning with a given area, and whether there is adequate representation or truly social control of the various interests. It is equally important to decide which ones of the present social needs--cared for by the community--can be qualified to be justifiably completely free, and where it is acceptable to charge partial fees (the extent is important here), and perhaps differentiated³ fees as a function of the income position (that

is, weighing also the social viewpoints), and where reimbursement of the costs can be expected. The question also occurs whether it would be expeditious to handle certain expenditures as funds in the budget or outside of it (for example, social security), where the source which generates it can be identified and assures "sufficient" income.

I agree with those who feel that in seeking the solutions the short-term fiscal interest must not dominate, that is, what costs the budget less. Yet I will also add that with unchanged economic growth and social and social policy constructions, conflicts with budgetary limitations will be unavoidable.

Foreign Balance and State Budget

In the period following the change of our national economy's foreign trade (1973-1978)--which we could also call the era of "slow recognition"--domestic utilization regularly exceeded the size of the incomes generated, and this was made possible by the credit received from abroad. The state budget also participated in this excessive consumption. We also became familiar in practice with a category earlier considered unimaginable in this country and rather clearly disapproved of by the socialist financial theory: the budget deficit appeared. We argued about the reason for its appearance, the effect it exerted on the social and economic processes, and looked for ways of reducing it.⁴ The majority of those participating in the debate--even if not always explicitly and even though there were significant changes in the circumstances--blamed the economic policy which had been declared unchanged, while others felt the cause to be in faulty financing.

The economic policy announcement that the foreign trade balance has priority, and the practice which followed it created new circumstances, and we must also consider the consequences this has on the budget.

The export in excess of import, or the difference between the two shows how much less the domestic utilization is than the national product produced. But the increment in the incomes of the economic operating units expressed in forints will be exactly this much more! That is, the potential demand expressed in forints is increasing. This places additional inflationary pressure on our economy which even without it has difficulty wrestling with the price increases, and this can be counterbalanced only if the monies accumulated by the totality of those with incomes, that is, their savings, agrees with the difference between export and import. That is, efforts must be made to increase the willingness to save, but we must not kid ourselves with illusions. We can hardly count on significant growth of savings by the population (for understandable reasons); and increase in the monies accumulated by the enterprises--as a natural reflex to the difficult-to-predict and the repetitive withholdings--can hardly be presumed. Thus there is nothing else left than for the state to accumulate money, that is, a budgetary surplus. In society's medium which requires innumerable solutions many people may qualify this as irrational requirement, since surplus income in the budget creates the illusion that these solutions are possible, even though the number of alternatives is small. Surplus is the condition for limited inflation, and this provides the balanced circumstances for creating the conditions for the real solutions.⁵

Budget and Income Regulation

Outlining the relationship between the foreign trade situation and the budget also illustrates that the budget has a significant role in shaping the total demand, that is, it also has an effect on the change in money's purchasing power. The goal of the income regulation system is to implement the limitation of domestic consumption and the plan--by adhering to the main proportions. A frequently heard complaint is that it changes very often, that it is unpredictable with respect to its extent and methods of solution, and that it has been so overcomplicated that it is not easy to understand even for an expert. This makes strategic planning more difficult for the enterprises. They may get into financial difficulties because of earlier obligations. That is, the enterprise sector which produces 85 percent of the budget incomes is defenseless against the state administration. It has no meaningful representation in the organizations of the state authority. When the yearly budgets are approved the decisions concerning the regulators have already been born, listing them represents information for the national assembly, and--as a body--they are not even informed about the changes which take place during the year. Even though it is a constantly reoccurring phenomenon in the state administration that as early as after the first quarter evaluation the question is stated: What measures are needed? And in this country the regulator modification has specific significance in the series of measures. The changes are usually preceded by two intertwined reasons: our prognoses have not been sufficiently well founded (export is developing unfavorably, production is growing slower than planned, but prices are rising faster, etc.), therefore the unchanged regulators do not guarantee implementation of the plan. Correcting the regulators has now in this country become the natural reflex to deviating from the plan. It really is difficult to prepare perfect plans (if for no other reason, then because our pipedreams are supported only to a limited extent, yet since they have gained the strength of requirements they are still defined in them); according to the signs the price increases have not been stopped, and there are enough reasons for operative interventions and for changing the regulators.

Restricting the accumulations within limits, as well as limiting wages and other payments of wage type are recurring neuralgic points of the regulation. Neither is a goal in itself, both aim to force the domestic consumption lower than the national income produced, obviously by presuming that what we have not used domestically can be exported. But the result is doubtful from several viewpoints. Taking away a part of the enterprise's accumulation fund formed from after-tax profits, and placing repeated burdens on consumption might make it possible to reach the proportions of accumulation by the enterprises thought to be desirable or possible, but the price of this is an increase of uncertainty in the enterprises which the enterprise survives as an act by the national administration which arrived as a shock, rather than a more severe market requirement of the changed economic circumstances. The macro-level regulation of wage increases may also serve well to shape a portion of the population's demand according to the plan, but here the function of wages that would encourage better work will suffer. The practical consequence of all this is that the national income also grows slower than planned, and improvement of the anticipated foreign trade position falls behind schedule.

My other observation is that because of the abovementioned goal we correct the enterprise development fund afterwards--presumably because the market conditions are not exerting a sufficient effect on the factors which shape it (price, profit)--while we are regulating the wages prior to the processes--presumably because the opportunity does not exist in this country for retroactive corrections here with respect to wages paid out, unless by raising the prices.

The third remark is that in this country--and this wording may even be considered intentionally exaggerated--regulation of the business cycle can be considered onesidedly to be the affair of the "income side," that is, where we apply corrections annually and even during the year. We give little thought to the budget, which makes it possible to realize goods with its own total expenditures to increase the profit of enterprises, that is, to affect the market trends. A thorough analysis is needed to see whether decreasing the level of the budget's expenditures or further modifying their composition would offer a better--or at least supplementary--solution for solving the above noted problems. The national budget is also part of the total demand, therefore the budget cannot be ignored in regulating the demand either; of course, not by itself but together with the monetary sphere.

In Place of Summary

I am far from having talked about all the important questions, and what I did talk about was not with satisfactory thoroughness either. I can be faulted for not having dealt with the funds outside the budget, and especially that I did not bring up the problems with the independence of councils or money management by the councils, nor their opportunities for development. Briefly that much about this latter that I consider the creation of true financial independence absolutely necessary because without it real self-government--which has an important effect on society's sense of wellbeing--is unimaginable. But I also know that creating financial independence is not simply a matter of desire, creating it is no simple task as it affects planning, regional development and distribution problems as well.

The "new phase" is still ahead of us. Further development of the financial regulators and redefining implementing the entire budgetary policy will no doubt be a part of this. The financial apparatus and researchers are already jointly working on this. With my presentation--by bringing up a few ideas--I wanted to contribute to this work. Defining a budget policy which under the changed circumstances would promise better results than the present one, can only be the joint work of many.

FOOTNOTES

1. Every comparison also brings up problems of methodology; this is especially so in evaluating the budget's time sequences.
2. Laszlo Szamuely, "Today's Extent and Functions of the Welfare State," KOZGAZDASAGI SZEMLE, No 4, 1984.

FOOTNOTES (continued)

3. See Zsuzsa Ferge: "Social Regeneration and Social Policy," Economic and Legal Book Publishers, 1982, pp 358-359.
4. The debate is well summarized by Mihaly Kupa in his book entitled "Income Distribution--Budget--Economic Processes," Economic and Legal Book Publishers, 1980, pp 131-166.
5. More detailed justification of the topic--and covering more interrelationships than are touched here--can be found in the study of Tibor Erdos published in this issue of the KOZGAZDASAGI SZEMLE.

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ECONOMIC REFORM, INDUSTRIAL ORGANIZATION DISCUSSED

Budapest KOZGAZDASAGI SZEMLE in Hungarian Vol 31, No 7-8, 1984 pp 845-849

/Article by Dr Zoltan Roman, doctor of economic sciences, director of the MTA's /Hungarian Academy of Sciences/ Industrial Economics Research Group: "Economic Reform and the Industrial Organization"/

/Text/ The economic management reform and its further development has brought and must continue to bring about changes mostly in industry's management and work. With this writing I would like to show what kind of international information and experience is offered about the industrial organization, and about the relationship between industrial organization and the economic management reform by the scientific area of industrial economics, one of the main branches of which—not too well known in this country—is, by the way, also called industrial organization theory in the capitalist countries.

To start with: by industrial organization I mean the system of organizations which conduct industrial activity and which shape, direct and influence this activity, as well as the system of their functioning and relationships. For economic reform and in the final analysis for the economic and industrial policy the industrial organization is a given condition which in many respects determines the starting situation and the rate of future progress. The deliberate shaping of the organizational system is an opportunity, a tool for the implementing the more comprehensive goals of the reform as well as of the economic and industrial policy. The need to develop the organization, economic management and economic policy concepts closely together also derives from this.

The industrial organization is tied by many threads to the governmental and political hierarchy of institutions and mechanisms; its operations and changes are affected by human and social, visible and latent power conditions, as well as by technological, macro-level and plant operation laws. Neither system of relationships can be ignored when it is being formed, and many types of restrictions, effects and side effects must be considered. Therefore, we can achieve more serious changes only by coordinated sequences of measures which reach further. The resolution of MSZMP's /Hungarian Socialist Workers' Party/ Central Committee's 17 April 1984 session designates in this spirit the main directions of modifying the industrial organization as a part of further developing the reform.

In carrying our reform further, we seek unique, new methods and systems for managing our economy; we have no ready historical examples for this. Besides analyzing our situation and experiences, we can rely on only two sources for shaping the concept of industrial organization: international experience and scientifically controlled experiments. We must rely more heavily on these sources! I consider the following to be the most important international tendencies in shaping the industrial organization:

1. Growth of specialization, cooperation and (in certain areas and to certain limits) concentration;
 2. Integration of research, production and sales;
 3. Internationalization;
 4. Strengthening of the state's intervention (with exceptions and opposite trends noted);
 5. Expansion of plant democracy and various forms of participation;
 6. Efforts to strengthen social control over the work of major enterprises and state administration's authorities;
 7. Establishing the role of small and medium enterprises;
- Among the major enterprises:
8. Separation of ownership and management;
 9. Establishment of internal profit and cost centers; expansion of divisional organization;
 10. Diversification;
 11. Experimentation with internal enterprising formats;
 12. The shadow economy gains ground.

There is no opportunity now--no matter how interesting it would be--to review the implementation of the various tendencies historically and by country or groups or countries. We can recognize most of them in our own industrial organization, together with those consequences of the earlier principles and interventions which we today consider irrational and which should be corrected (even in themselves, but especially from the viewpoint of the 1968 economic reform). Therefore it is my opinion that in shaping our industrial organization we must amalgamate three efforts: correct the earlier created established unhealthy structures, conditions and processes; promote implementation of international tendencies which we too should follow; develop and introduce original, new organizational solutions which suit our circumstances.

I include the most important corrective steps of shaping our industrial organization in three categories. First: market-oriented relationships between research, production and sales should be re-established; we should provide opportunities for many different types of organizational formats and for individuals and private economic operations to take more initiatives; help new producers entering the market. We have already made progress with these corrections. The other group of corrections--separating the functions of the authorities and the economic operations, limiting the state's direct interventions, increasing enterprise independence--is now linked to reorganizing the relationship between "ownership," direction and management. I will return to this later, but I would like to emphasize here the urgency of a different type of correction.

The legal organization and legality of economic operation and economic guidance have gained greater importance since the introduction of the reform. However, as the itemized organization more-or-less followed the needs, the actual organization deteriorated, especially since 1982. If we do not succeed in arresting and then reversing this process--within the area of enterprise and direction--then it is useless to lay down better organizational relationships on paper, this will hardly bring about changes in practice.

The third group of necessary corrections--reducing centralization and the excessive ratio of multiplant enterprises, creating more small and medium size enterprises--affects the enterprise structure, the number and size of enterprises. The most passionate debates were on this subject--often abandoning scientific reasoning and flaring up with political emotions.

The important (though not the sole) motivation for these corrections is that in carrying the reform further one of our main goals is to strengthen the role of market competition. And it is a condition for this that several producers be present on the market. Technically we have the possibilities for this--that is, to have a larger number of independent enterprises on the market. Even if we exclude here private artisans and the new, smaller enterprise formats, in characterizing the situation in round figures we can say that industrial activity is being conducted now on 24,000 sites; 700 state enterprises are managing 5,000 sites, nearly 600 small industrial cooperatives another 4,000 sites, and 2,500 organizations not listed under industry (agricultural producing cooperatives, state farms, construction industry enterprises, etc.) an additional 14,500 industrial sites. Numerically the majority of the industrial sites operate with employment of less than 500 or even less than 300 persons, that is, they could be independent small or medium size enterprises--but they don't really want to separate, they prefer to remain under the protective umbrella of the larger organization! This is another reason why changing the enterprise structure is no simple matter.

At the same time very few of our industrial sites are independent enterprises; the overwhelming majority of them are part of major multisite enterprises. I would like to interject here: this enterprise type is an important organizational innovation of modern industry. The transnational enterprises are newer, highly significant forms of this. The explanation of capitalist economists for the spreading of this organizational solution is that the enterprises (hierarchies) and the markets can be viewed as alternative structures for direction; in numerous cases it is more efficient and profitable to coordinate the activities within the major enterprise than by relaying it through the market. In this light perhaps it is easier to understand why all socialist countries have gone so far in employing this organizational format and why its significance must be reduced if we want to give the market a serious role again. But how can this be reversed?

It would be best to entrust the desired decentralization of a group of major enterprises--differentiated by branch but still broad in scope--to only natural processes, market effects, growth or disintegration depending on performance. But this would lead us out very slowly from today's extreme situation. We cannot avoid breaking up the enterprises by central decision--even though this

process since 1980 has managed to produce few results. On the contrary, the organizational uncertainty—which is a tremendous driving force in increasing performance if the conditions are clear for survival of the enterprises and keeping managerial positions—has in this case produced the opposite effect because the following conditions were not identified: anticipated accumulation of reserves and increased tactical maneuvering by the enterprise headquarters as well as by the factories and factory departments waiting to gain independence. (Furthermore, it slows down the greater independence of the factory units. Thus the management of the major enterprises would increase the very possibility and probability of their being removed.) In order to create a healthier enterprise structure and to shorten this process, we therefore need a better thought out, better program! It would be (and would have been) appropriate to make use of research for this purpose as well.

The relationship between market competition and enterprise structure is a good example that we can modify the industrial organization (by our definition) by changing not only the organizational framework but also the control of its operation and relationships, indeed this is the only way we can do it efficiently, by doing it together. That is, according to stricter economic analyses a larger number of producers—plus their shares of the market distributed in such a way that none of them can rule the market—is a necessary yet insufficient condition of market competition. Competition has these additional primary conditions:

- independence and interest of enterprises in increasing profit;
- free price development which adjusts to the market conditions;
- capacity of the potential production forces and those actually on the market (including the import) to exceed the demand;
- no obstacles to entering the market; and finally
- having clear rules of the game for competition which apply to everyone, and assurance that these will be observed; clean competition.

Since in most areas we are very far from meeting these conditions today, we can strengthen market competition to only a limited extent by merely modifying the enterprise structure—but this is also a condition for it in many of our branches.

Returning to the international tendencies, a number of our other efforts aimed at improving the industrial organization are also in line with these: for example, we would like to significantly increase specialization; develop organizational integration into world economy; increase workers participation in management and strengthen plan democracy; social control over the work of major enterprises and state administration organization; expanded building of profit and cost centers within the enterprises, in some cases diversification (not forced but strategic) and divisional organization.

The experiences (both their favorable effects and unfavorable side effects) derived from the enterprise work associations /VGMs/, the unique Hungarian variation or mixture (I would not call it alloy) of the industrial shadow economy—considered undesirable in most countries but still rapidly growing—and the domestic entrepreneurial formats would require more detailed discussion.¹ Fitting the VGMs into a healthy operation of the industrial organization promises to be very difficult and calls for additional studies and experimentation—since this was not done before they started up.

Naturally, we can transplant the international tendencies into the Hungarian circumstances only after they have been filtered, adapted and in some cases significantly modified. This is especially valid where we are looking for organizational solutions affecting the relationship of the state operated enterprises and the state administration, the corporate management of enterprises which also provides for participation, the role of ministries, social partners and interest representation organization, these newest characteristics of further reform development. But the theory of industrial organizations also provides important lessons for them. Thus, for example, for the debate on the subject of "ownership" first of all that the modern capitalist economy is characterized by the weakening of management-by-owners and strengthening of management-by-professional-managers. This fact has also been verified by numerous additional empirical studies since the work of Berle and Means² published exactly 50 years ago.

Essentially the owner of a capitalist enterprise has three choices: he can sell the enterprise; he can "use" (that is, operate) it; he can take possession of its yield (that portion remaining after taxes and development). Naturally he retains the first and third choices for himself, but in the case of major enterprises the "operation," managing is practically always entrusted to professional managers. He keeps them in hand mainly by being able to initiate their replacement (and selling the enterprise also represents a similar threat to management). But as long as the enterprise is profitable--and if stocks are issued, the stock market places high value on them--management enjoys practically complete freedom even in strategic decisions which affect the business policy! This could not be any other way; knowledge, experience and the system of contacts are centralized within the management. If it does not have independent right to make the most important decision it cannot be held responsible either. Moreover, if the stocks are owned by scattered owners rather than by a family, the representation, personification and implementation of ownership rights also function sluggishly. The extensive authority of managers also generates grave concerns and ways are being sought therefore to control and limit it. This, among other things, is what the various kinds of councils of directors and supervisory committees (and in some countries special state offices are created for this purpose) are supposed to implement. Their roles and operations have been analyzed in many empirical studies. Most evaluations indicated that presidents--chairmen of the boards--had great influence from selecting the members of these bodies (who will in turn elect the president--chairman of the board), in presenting alternative decisions, to shaping the final positions to be taken. The roles, behavior and influence of the outside members of these bodies (among them the representatives of banks and other enterprises) were also separately studied. Even though all this heavily depends on the socio-economic environment as well as the traditions (which are most varied in England, the FRG, France, Japan and the United States), it still provides noteworthy general information. I quoted only a few of these in the foregoing.

In recent years many kinds of proposals have been made to better solve the "ownership" problem--primarily the enterprise management and control--in our economic management system. Even though the work on details and more methodical comparison with the above mentioned and other foreign experiences were lagging, and no controlled experiments had been conducted, agreements concerning the

practical direction of the changes had been reached successfully. The most recent resolution of the MSZMP's /Hungarian Socialist Workers' Party/ Central Committee in accordance with this specifies the main characteristics of the new types of enterprises. These--as they adjust themselves into the mainstream of further reform development--provide a new improved framework for a more efficient operation of the industrial organization, naturally expecting to make progress according to the program where other components and the social environment of the reform are concerned as well.

But even so, in my opinion, we can arrive at proven solutions, forms and structures only after several years of trials and experimentations--not only and not even primarily because of organizational resistance. How many combinations of wage regulation solutions have we experimented with so far? What number of producer price systems and mechanisms are we introducing now? Without solving these two basic problems we cannot expect serious results even from the best organization. The progress of these two fundamental elements of the reform process has not been slowed down by organizational resistance. Yet I consider their role to be significant, since there are not only winners but also losers (at least over the short range) in serious organizational changes. The science and art of politics--and both are needed here--must always expect this.

The introductory study of the official volume³ describing the 1 January 1980 changes in the regulatory system closed with this thought: "Now these topics should already be turned over to the appropriate institutions and academic departments for research." Only some of this has been done involving only partially long delays just like when the 1968 reform was introduced. In both cases a number of decisions were made, debated from the beginning and accepted only as compromises. For example, the expected "employment diluting" consequence of average wage regulation or the unfavorable effect the competitive price system was going to have on the export volume were predicted by many people well before they were introduced. Let us not consider observations of this type as "rooting for the opposition"! If we know and admit the unfavorable side effects of some solutions, we can better counteract them and correct them sooner (if jealousy of prestige does not prevent this).

On the basis of 16 years of experience we must by all means expect a longer learning process. This can be significantly improved if in developing the industrial organization we give a much bigger role to the scientifically controlled experiments, if we see to it that we continuously, objectively and scientifically observe the operation of and the changes in this organization, and how these changes affect the organization.

FOOTNOTES

1. What relates this format to the shadow economy or separates it from it is that it is motivated decisively not by keeping taxable activity a secret (as in the capitalist countries), but by the official exemption from the strict limitations of wage regulation and the progressive taxation of wages.

FOOTNOTES (continued)

2. A. A. Berle, Jr--G. C. Means: "The Modern Corporation and Private Property," MacMillan, New York 1932.
3. Laszlo Horvath (editor): "Economic Regulators 1980," Economic and Legal Book Publishers, 1980.

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CONDITIONS FOR FORTHCOMING WAGE REGULATIONS DISCUSSED

Budapest FIGYELO in Hungarian No 34, 23 Aug 84 p 3

[Article by Dr Gyula Laszlo: "Economic Management--Earnings Regulation Ideas"]

[Text] The new earnings regulation system of the coming years can be outlined rather well on the basis of the experimental earnings regulations types. It is expeditious to outline those general viewpoints and requirements which must be implemented when the concrete regulators are established. The various conditions and requirements listed below are not alternatives: they together constitute the theoretical framework of earnings regulation, and only in their complexity can they assure adequate efficiency of the new type of regulation.

Development of More Intensive Interests

Today there is essential agreement on the fact that the personal incomes fill primarily a function of providing incentives. This must be implemented in the regulation of earnings. Naturally this does not mean that the income policy can ignore fulfilling the distributing function (livelihood must be assured even on the citizenship rights for society's members), but incomes from work must be subjected first of all to the control of economic and efficiency requirements.

Under the strongly limited accumulation opportunity conditions we can hardly find a better tool for forcing the necessary performance increment and structural adjustment than strengthening the interests. More intensive interest will result in greater differentiation of earnings according to the variation in performances, thus there will also be losers in the new income distribution. The tension deriving from this can also be softened by the interest system providing for the possibility of rising up again, and makes it possible to earn back the position occupied earlier in the income structure.

Reliability of Measuring Performance

Wage regulation was attacked in the 1970s many times not only from the economic but also from the ethical viewpoints. When the performance principle was applied, a distorted and manipulated profit and profitability seemed to regulate the personal incomes. This is brought up even more sharply now when the regulation wants to build on the taxbearing ability of the profit. Proper operation of the earnings regulation in itself presumes and requires accuracy in performance measurement. This requires a pricing system and pricing mechanism

which realistically reflect the social and market value judgements, moderating the proportions of redistribution and greatly increasing cost sensitivity. The more intensive interest also can be developed only if a hard market price limit regulates the performance and earnings. If this is missing, unavoidably a relatively rigid tax limit must be built in so as to regulate earnings, which will have a standardizing effect.

Dynamic Equilibrium of Purchasing Power and Merchandise Base

In regulating personal incomes the income policy has always paid special attention to "keeping in hand" the volume of income being spent, to the balance of purchasing power and the merchandise base. This requirement will be even stronger in the future partly because the decisionmaking freedom of the enterprises will increase, and partly because every new organizational and regulatory solution involves increased uncertainty and risk. But we must not try to develop a static equilibrium, where the national economic plan determines a wage growth rate by prognosticating the given performance increase, and the income regulation inherently allows approximately that much to be consumed, regardless of the actual performance development. The correct thing would be if within the framework of a dynamic equilibrium we succeeded in developing closer and stronger movement together between performances and earnings, including not only growth but also decreases. The equilibrium condition is what the regulatory system must relay to the microsphere.

Resolution of Regulatory Restrictions

Parallel with strengthening the market and regulatory requirements the regulatory and financing conditions of entrepreneurial-type enterprise behavior must also be ensured. The regulation should not restrict the enterprise which corresponds to high standards, and it should not force the underachiever to regress or improve the level of its performance.

Integration of Personal Earnings and Enterprise Income Regulation

A stiffer general requirement system and the increased role of resource-proportional withholding makes it possible and necessary to terminate the independent wage regulation and integrate the regulation of earnings into the enterprise income regulating system. Thus we can eliminate having dual interest centers, dual taxation, in addition to which earnings can be qualified and regulated together with the system of taxing resources and profits. The role of regulation is implemented by the automatic withholding and financing features, and the taxpaying ability depends on the size of performance (result). Due to the income character of earnings, this in each case also emphasizes its resource (expenditure) character in contrast with it, and thus requires competition between the various resource-expanding and profit-consuming goals.

Uniform Treatment of Earnings

At the present time the wage and earnings regulation employs multichannel distribution and regulation. (First channel: guaranteed base wage level; second: separately regulated growth of the wage level; third: the sharing fund.) This

solution provides the income policy with a good tactical weapon because it can attach differing requirements and viewpoints to the various channels, but with this same thing it also distorts the system of requirements and limits its own results. This is also one reason why income differentiation and interest which represents the attractive force, cannot develop. Starting out from the income character of earnings it recognizes movement in only one direction, growth. With this the income policy also restricts its own area of activity because it can use only the increase to reach its actual goals.

All these negative aspects justify standardized judgement of earnings, while at the same time standardized treatment requires that the enterprises greatly increase the flexible proportion which depends on actual performances within the earnings, because this is the only way the dynamic equilibrium between changing performance and earnings can be assured.

Realistic Evaluation of Resources

That type of further development of the regulatory system is justified which demonstrates to the enterprises all the (enterprise and social) expenditures related to live labor, improves the "price ratios" of live and embodied labor, and based on this makes the competition between the resources and the development of their "optimum" ratio more realistic. For this it is also necessary that in judging the various types of manpower resource utilization (for example, increases in employment or wage level) disadvantageous discrimination should not be implemented. Undervaluation of manpower (mainly the trained, creative manpower)--coupled with low productivity, or holding back performance) may paradoxically make the use of live labor more costly. It is also for this reason that the upward revaluation of manpower--tied to performance--is necessary.

Proper Handling of Various Existing Natural Conditions, Situations

At the present time the values of equipment-to-wage ratio and also the profitability levels are distributed over a relatively wide scale. All this makes it more difficult to develop a standard system of requirements, and requires that the regulatory system be able to handle equally well the enterprises with low and high technological equipment, low and high profitability.

Avoiding Inflationary Price Movement

I am convinced that development of the price-wage or wage-price spiral is not a simple question of size. Their effect of feeding on each other potentially gains strength in case earnings or prices rise at a faster rate, but this is only possibility. It is true that small increases in earnings or prices can occur even so, but this occurs uncontrollably and without foundation. That is, if the price and wage regulation is passive and permissive in character, then by all means the inflationary tendency will develop. This can be avoided with regulation which is active, following and permissive in character since the nominal processes reflect the real values and the extent of their movement can be tolerated.

If income regulation removes a portion of the enterprise income in proportion with the profit, the share of profit which remains at the enterprise and the share to which the budget is entitled will develop in harmony with each other. In this case there is no centrally predetermined task or minimum profitability requirement for the enterprise. The size of the profit depends on the intensity of interest, the level of the enterprise's economic operation and the nature of the market limits. But this way the budget incomes dependent on enterprise profitability also become more uncertain. In case of high profit volume they increase, but in the case of low profitability they may even decrease to such an extent that it must enlist supplementary resources to cover the shortage thus generated, by taking out loans or increasing the ratio of withholding.

In contrast with this, if centralization is accomplished--in part or totally--in proportion with the resources by taxing the resources, then that inherently defines a minimum yield requirement which must be unconditionally fulfilled. The advantage of this is that it implements more vigorous selection--assuming that the kind of price limitation is implemented which prevents the yield requirement from being passed on. Performance below or near the norm is not enough to ensure lasting survival for the enterprise, but performance well above the norm makes significant growth possible.

All This Is a Stable Income Source for the Budget and Can Be Well Planned

The "sensitive" point of this solution is that the budget becomes isolated from the microsphere's actual profitability and resource generation, and the development resources can oscillate between very wide limits in the enterprise sphere. Property tax can be one form of taxing the resources. This--by decreasing the profit-proportionate withholding to a larger extent--should constitute a significant order of magnitude in order to be able to exert a meaningful effect. It would be practical to determine its extent in such a way that it should take away a significant part of the profit at a "still acceptable" income level, that is, so that it would not adjust itself to the enterprises with the lowest profitabilities.

The requirement level raised in this manner involves the danger of becoming impossible in the low efficiency areas.

It would be more difficult but also more rational if a separate capital ownership organization or a government commission (area commission) with branch, trade, trade union and chamber participation would deal with this group of enterprises. This would evaluate the enterprise's development and catching-up program, exercising the right of control and perhaps also (partially) the rights of employer over the enterprise's leaders. It would help finance the developments with the capital (intervention fund) made available to it, and it would provide temporary protection by special regulators (for example, by central earnings regulation tied to fulfilling the program). If the enterprise successfully implements the given development program, "custody" over it will be terminated; and if it cannot get on its own feet even this way, this organization could decide the fate of the enterprise in the future.

Property taxation has one more critical point: according to the proposals only the equipment park and the individual financial resources are included in the property which constitutes the base for this new type of taxation, real estate and live labor are omitted from it. Thereby the need for resources may receive a significant differentiating role, therefore it is very important to determine the burdens on live and embodied labor harmoniously and proportionally. On the other hand, setting different property tax rates in the various branches would not only serve to recognize their differing needs for resources but could also be an effective economic policy tool to regulate the business cycle and shape the structures.

Eliminating the System of Conditions for Independent Wage Regulation and Dual Taxing of Earnings

This in my opinion makes a significant forward step possible in regulating earnings. Naturally the effect it exerts on enterprise behavior and its operating efficiency depend also on what measurement systems will fulfill the given regulatory frameworks. What will be the size, character and dynamics of the financing requirements which will apply to the earnings, and through this to what extent will it be able to develop intensive interests and the dynamic equilibrium?

In Terms of Space and Time, Earnings Regulation Must Trigger Movement In Two Directions

If it continues not to trigger absolute and/or relative earnings decreases in the low efficiency areas, the intensity of interests will necessarily be smaller. The possible spectrum of differentiation will again be limited to the increments, and under the new conditions--or because of the lower performance--the income spent which becomes "unjustifiable" will slow down the level and growth of earnings which fit the higher performance.

I feel that we must speak openly about the possibility of decrease. The enterprises and also the public opinion can and must be made to accept the chance of greater increase in earnings only together with the danger of decrease. Improvement and deterioration of the income position are two sides of the same thing which assume each other, and harmony in this, society's agreement must be created in such an overall manner. Naturally in order to supplement this, the employment policy and social policy guarantees assuring the proper reliability are also needed.

Based on factual data and comparative calculations a sufficiently clear "hardness" ranking can be established among the experimental regulation types operating in agriculture. The hardest requirement is determined by taxing the earnings level, this is followed by the type which regulates the increment of the earnings level--here the base effect generally represents a benefit--then comes the regulation built on maintaining the ratio between accumulation and consumption, which from a certain viewpoint implements pure wage-mass regulation under favorable conditions.

That is, the various types of regulations define requirement systems which ensure various possibilities with tensions differing from each other. In a given

case this can be deliberate and also necessary if we take into consideration the differing situations and economic conditions of the economic operating organizations. Therefore I agree with the graduated nature of the system of requirements, attaching that restrictive condition to this that the possibility of increasing earnings (and the danger of decreasing) should also increase in gradual steps, parallel with the hardening of the system of conditions.

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VALUE OF LIVE LABOR DISCUSSED

Budapest FIGYELO in Hungarian No 34, 23 Aug 84 p 3

[Article by Miklos Breitner: "Man Understands From Words"]

[Text] From time to time some slogans become conspicuously popular among our economists, so much so that--without any criticism--that's all we hear everywhere. Now the "country" is loud with the saying that live labor is cheaper here than embodied labor, therefore the former must be made more expensive. (It is commonly known in economist circles that personal earnings are not the same as the cost of live labor.)

Just as it is fashionable now to write and make speeches about making live labor more expensive, earlier the topic was the investment hunger of the enterprises. Not unfairly, not accidentally, and not without proof.

If at that time we accepted the insatiable investing fever to be a fact, it is doubtful that anything has changed since then--other than some administrative limiting measures--which would cancel the earlier efforts of the enterprises. Has the budgetary restriction become harder in the economic sense? Is the economic operation of the enterprises more rational, more cost sensitive? Is there any sign of stronger market competition? It would be a waste to write down the answers. We know them.

But as long as this is the way we stand, the investing hunger is unchanged, perhaps just suppressed today. Nowadays it is "not nice" to make investment demands. In other words increased utilization of dead labor seems more profitable today, too.

Reading the trade literature, listening to the speeches at conferences, the picture is developing more and more that under the ruse of making live labor more expensive, many people are fighting for increasing earnings. Everyone would like to earn a little more, everyone would like to live a little better. This is perfectly understandable. But implementing this would also mean at the same time that live labor would become more expensive. But--and this is a cliché also--by this the unstable market balance would be upset, or inflation would become stronger. And we don't want this either.

However, those aspects of this matter which affect international competitiveness can also be identified. Hungarian labor is not considered cheap any more at all:

on the one hand if our products compete with the developing countries, and on the other hand in comparison with the productivity of the industrialized countries.

After all, can a stand be taken against the increase of earnings? Actually no. Only the conditions must be clearly defined and consistently obeyed. First of all the difference between earnings paid out and the more loosely expressed cost of live labor must be narrowed down. Secondly in the limited-price market system the enterprise must be allowed to decide freely how it implements substitution among its resources.

But too many conditions must be fulfilled until we can have a meaningful debate about the cost of live labor. The password to be used as a shield until then is "dangerous weapon"...

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MANAGERS OF TOP ENTERPRISES ON LEADERSHIP, ENTREPRENEURISM

Budapest FIGYELO in Hungarian 30 Aug 84 p 5

[Article by Dr Gyorgy Varga, deputy editor-in-chief of FIGYELO: "Leadership and Entrepreneurism"]

[Text] Participants of the Leadership and Entrepreneurism interview series:

Istvan Martos, general manager of the MEDICOR [Medical X-Ray Equipment Enterprise] Works (FIGYELO 1 March 1984)

Ede Horvath, general manager of the Raba Hungarian Railroad Car and Machine Factory (15 March)

Sandor Demjan, general manager of the Skala-Coop (22 March)

Jeno Havas, president of the RADELKIS [Artisan Cooperative of Measuring Instruments for Radioactivity and Electronics] Industrial Cooperative for Manufacturing Electro-Chemical Instruments (31 March)

Attila Varga, manager of the Baja Fine Broadcloth Enterprise (5 April). He has since been appointed manager of the Hungarian Wool Spinning and Weaving Factory.

Istvan Bihari, manager of the Chinoin Factory of Pharmaceutical and Chemical Products (26 April)

Zoltan B. Toth, manager of the Vac Knit Goods Factory (17 May)

Rodolf Molnar, manager of the REMIX Radio Technology Enterprise (28 June)

Judit Simsek, general manager of the Quality Shoe Factory (12 July).

"...and if the personality of such leaders at times...creates the impression of special people, the reason for that is that...entrepreneurship is not yet mandatory." ("Leadership and Entrepreneurism," FIGYELO 18 June 1975)

Within the framework of the interview series entitled "Leadership and Entrepreneurism" I talked with the heads of 9 enterprises or cooperatives about business policy, enterprise strategy, and the opportunities as well as limitations of economic action. I selected my interview subjects from among leaders qualified as "successful" on the basis of public opinion and their enterprise results--market share, profitability and liquidity.

The contacts of the interviewed leaders with society are good, the influence they exert on the managing organization and their opportunities to implement their interests--due to size of enterprise, export volume, or role fulfilled in the domestic sales--is probably higher than average.

The business policy lesson learned from the interview series is that the majority of the enterprises in question can give credit for their dynamic growth and for the preservation of their international market ability to the thorough changes and renewal of their product structures. But I must add to this that practically with no exception this structural renewal occurred within the framework of cooperation with some foreign partner, and indeed in a great variety of formats.

Most enterprises participating in the interview series vigorously improved their commercial work on the market recently. The active market policy and marketing considerations can already be demonstrated in the activity and business policy of these enterprises. Efforts aimed at keeping the market for a long time can also be seen at some enterprises.

Istvan Bihari: "The business and sales experts are...also members...of the research council. The decisive thing is the business profit and not the number of original items... If we begin to think in a businesslike manner, the technological dogmas will disappear..."

Attila Varga: "Obtaining the independent export rights...was motivated by primarily that we ourselves should also be able to enter the market, obtain direct information about the potential demand's direction and adjust our product development also accordingly."

Zoltan B. Toth: "...it is practical for the buyer and seller to jointly assume risks for certain quantities... The goal is to keep the market for the long range."

It is characteristic for the strategies developed in the interest of adjusting to the market that most enterprises have used or are using significant outside resources--bank credit, state loans, development assistance--to implement them.

Credit has a dominant role in financing the developments and the flow of capital or increasing the basic capital have minuscule roles in it. Lack of the flow of capital and one-sided reliance on the credit resources is one of the obstacles to flexible structural adjustment. We have seen a noteworthy practice of regrouping the capitals at the Skala-Coop. The enterprises accomplished structural changes practically without withdrawing capital; no room was given to the strategy of retreating in improving their liquidity and efficiency positions. The

Baja Fine Broadcloth Factory constitutes an exemption which sold the buildings of one of its spinning plants, closing down production there. In general the interest in converting capital into cash is weak. In this area the Skala shows behavior differing from the average: the motivation at this cooperative enterprise is stronger than at the industrial enterprises to increase property expressed in terms of capital as well as good will on the market. But it must be noted that the Skala also operates basically on a shortage market, thus the market risks of its initiatives are minimal.

Development and production at most enterprises in the series rely strongly on import. The practical reason for this is that the supply offered by domestic subcontractors is not modern: not competitive either from the viewpoint of quality or price.

Ede Horvath: "...there was a time when we consumed more foreign currency than we produced in income from sales."

Istvan Martos: "...due to the poor supply by the domestic support industry, the introduction of product license starts off an import chain reaction."

Judit Simek: "The Mino for its capital export...is forced to import leather, shoe horns, lining, heels and soles."

Needing import is not a fault in itself. The large or increasing import content may even be an advantage if coupled with efficient export or export of improving efficiency. But the increase in export volume of some of the enterprises participating in the series--partly in the interest of keeping the markets--is coupled with deteriorating economic efficiency.

Attila Varga: "Quantitatively...the growth is spectacular. Not so regarding the efficiency of export. The efficiency of supplementary export has...significantly deteriorated."

Judit Simek: "The present selling price (that is, in the capitalist export. Editor.) is essentially the same or somewhat lower than what it was 3 years ago..."

It is an important development and business policy lesson to be learned that on the convertibly accounted markets primarily those enterprises are able to preserve or strengthen their positions permanently which are introduced by some foreign firm enjoying strong goodwill. This shows with convincing force especially at the instrument industry and electronics enterprises which manufacture complicated products containing quality work. Neither the Medicor nor the Radelkis--and not even the Remix--have conquered markets in the industrially developed countries, not even with those of their products which technologically approximate the leaders. On such markets their sales are occasional. The Raba can give credit for the preservation of its market position basically to two factors: building a lasting partnership relationship and accepting the role of subcontractor. The enterprise has established its footing on the competitive markets primarily by supplying undercarriages, while the same cannot be said about its profit-producing vehicles--especially since the break-up of the Man-Raba marriage.

Presumably the illusion has to be discounted that we can obtain stable positions within a foreseeable time independently, at competitive prices, that is, profitably on the markets of end products which are among the leaders of technological progress--at least in the better developed industrial countries. This--based on the interview series--seems possible generally when the Hungarian enterprises become lasting partners of transnational firms with strong capital and global marketing network. Considering the level of our technological development, more favorable opportunities offer themselves for this move, in the world of intermediary products, subassemblies and productive spare parts rather than on the markets of end products.

Complex development and market introduction of modern products requiring research also make it necessary to seek and build lasting contacts abroad, if for no other reason than that the domestic research work is not sufficiently selective and concentrated to result in directly marketable manufacturing processes or products which can be sold at favorable prices. The experiences of Chinoin and Radelkis prove this convincingly.

Istvan Bihari: "...on those points of innovation which are critical for us but where we cannot hope to make progress with the use of domestic resources, we... are seeking contacts...with foreign enterprises."

Jeno Havas: "...the Hungarian enterprise which...appears on the market with products incorporating leading technology (that is, on the markets of the industrially best developed countries. Editor) It will find itself facing the biggest, most capital-intensive and most aggressive competitors. So--considering our capital strength--it is inherently very difficult to break into the market... if our products are competitive in quality and price, even then we are not that in marketing."

I would like to note: I do not agree with the idea--which, by the way, some of my conversation partners represented--that if possible the Hungarian enterprises should compete only abroad, should want to defeat only the foreign competitors, or stand their ground against them. I do not believe that the Hungarian enterprises can expect lasting successes abroad if they are not forced to compete on their main market--on the domestic market--if the domestic market is relatively undemanding, and especially if its meticulousness deteriorates, if the domestic market's role to train them in competition cannot develop.

A rather careful decentralization of the spheres of authority characterizes the change in the internal mechanism of the enterprises. These movements conceal various motivations--the "word of the times," rational consideration--for example, setting up a subsidiary which operates in the format of a small enterprise, placing it into a more advantageous situation from the wage regulation viewpoint--or even the prevention of a more radical central organizational measure which may unfavorably affect the enterprise. The major enterprises with several plants--with the exception of Medicor and the Baja Fine Brnadcloth where certain service and supply units have been transformed into subsidiaries--they are mostly just planning to convert some of their factory units into subsidiaries. At the Skala-Coop there is even a subsidiary which performs some of the main activities. Today the organizational system of the enterprises is shaped

basically by considerations involving production and reliability (supply, cooperative). Flexible adjusting, clear economic sight, competition and discovery of hidden resources--even though we can also find such efforts--play a smaller role. This leadership behavior is in part the reflection of the socio-economic environment which surrounds the enterprises.

Ede Horvath: "We are often criticized because of our internal management system which is characterized by strong centralization. But in part this is necessary, because of the technological relationship.

Judit Simek: "The decentralization wave of the 1980s...warns us to be cautious. If the independence of the factory units increases, we must consider the risk of organizing them into independent enterprises."

Rudolf Molnar: "...not just a few people place belonging together onto "objective" foundations by locating technologies in such a way that the factory units will be forced to cooperate all over."

Concerning its main traits and character the enterprise's internal mechanism cannot basically differ from the character of the economic management system and practice. This is why those central efforts have not been and can not be successful which urge radical modernization of the enterprise's internal mechanism without considering the nature of the external impulses which affect the enterprise.

Several of my conversation partners indicated that decentralization within the enterprise is caused by the lack of personnel conditions. The enterprises--so they say--do not have the people with those leadership qualifications who could be given greater independence and spheres of authority than before.

Naturally leaders like these will not drop from the sky in the future either. Leaders ripe enough to make decisions can be placed at the head of factories and factory departments--can be trained for this--only if this function allows space for creativity, for local initiative and risk taking, that is, if it surpasses the allowed space for movement limited to execution, in essence to organizing production.

The above reasoning is limping also because we can logically conclude that independence and entrepreneurship are essentially a question of personal choice. Good people with initiative and entrepreneurial type must be placed at the head of factories and with this the lack of enterprising and risk taking can be bridged over. This is an obvious impossibility. First of all, the given type of socio-economic circumstances select and train the leadership types adequate for this. Secondly, even if personalities differing from the typical, the "average" are placed into leadership positions, they usually have to overcome the objective circumstances which hinder their personal efforts. Some economic leaders characterize this situation as a split personality, schizophrenic state. According to my experience these atypical leaders--for example, my interview subjects--are admired by their environment which considers them possessed, envies them and tries to trip them up. They are judged in rather extreme terms.

The most important conclusion of the interview series is that the present economic mechanism does not force and does not encourage entrepreneurship. Consequently those development and commercial actions about which the leaders appearing in the interview series spoke, are not entrepreneurial undertakings in the realistic sense of the word. The strong ties of the enterprises and their leaders to the state administration, the high degree of central redistribution of original enterprise incomes strongly dull the role of profit as an indication of success, as the measure of economic activity; the economic risks of the enterprises are defined and exist in their relationship with the state's organization (banks, tax authority, price authority, ministries)—as regulatory or supply risks. The enterprises are not or only to a small extent forced to consider the possibility of failure or decrease of the enterprise's market value with the risks inherent in the market. Incentive for the regenerative efforts is provided primarily by the pressure the state exerts to increase export, by the development resources and preferential treatment obtainable through this, and last but not least by the need to "econoproduct" the capital burdens for development. The new leaders appointed to head enterprises which had gotten into difficult economic situations were also driven to change the situation of the enterprise by the desire to prove themselves.

Istvan Martos: "...the regulation to be average is stronger today than it was 10 years ago and the opportunity is even less...for selective excellence...the conditions for entrepreneurship have not really been successfully created. The organs managing the economy...very often interfere in some of the enterprise's partial processes and this can have unforeseeable consequences on the outcome of the undertaking."

Attila Varga: "...to assure short-term survival the only reasonable behavior for the enterprises is: 'Try to be clever!'. The enterprises are orienting themselves towards the institutions rather than the market."

Ede Horvath: "The present economic regulation does not encourage increased performance. Rather, it fosters speculation and manipulation."

Judit Simek: "The compulsion to develop, or more precisely the capital burden on the enterprise is what forces one to improve...competitiveness, rather than the regulatory system... Headaches are caused not by the market's uncertainty but by the unexpected regrouping of incomes realized by the enterprise."

My conversion partners consider the limited opportunities in reasonable selection of the resources, the increasing uncertainty in production and business relationships between enterprises—in general the strong limitation or narrowing in the possibilities of choice to be further limitations to entrepreneurship.

Attila Varga: "The distribution method of supplying raw materials...is foreign to the nature of enterprise. The enterprise has no opportunity to make a choice. It is forced to accept the given quality, merchandise and quantity..."

Sandor Demjan: "Our opportunity to obtain credit is no better now than in 1979-80 when sales were half of the present level...It is the dynamically growing enterprises who get into payment problems."

Zoltan B. Toth: "Import management perhaps causes the most problems. Not the limitation but the method used...when we sign the contract with the foreign customer, we don't yet know when and what quality material we can obtain, what must be replaced from import and whether the opportunity will be there to do so...from the viewpoint of resources, export is the most uncertain one."

The opportunity of entrepreneurship is limited also from the issue (production structure) side. This is caused to a large extent by the de facto supply responsibility of the enterprises. Several people indicated that the CEMA's present mechanism does not favor regeneration of the product structure either, especially not in the manufacturing branches which require science (while the opportunity for growth in this area is seen in the very cooperation in CEMA), but the signs of this can be seen also in the fashion industry. These two factors also play a role in the ratio of old products, of which the producers would gladly rid themselves, being relatively significant at several of the enterprises participating in the interview series--and more successful than the average.

Practically without exception the interviewed leaders made the future of their enterprises dependent on the appreciation of qualified tradesmen and the possibility of material recognition of good performances. All leaders feel that the greatest dangers for their enterprises are the deterioration of work and technological discipline, departure of qualified people, narrowing of their replacement opportunities and the weakening of identification with one's work. Among my conversation partners--strangely--nobody worried about the heightened international competition, rapid technological growth taking place in the world, or because of the possibility of losing ground due to the profound changes in leadership and management methods. In this country the focal point of worrying about the future--at least according to my interview subjects--is the existence or absence of resources, first of all the replacement of manpower, the quality of manpower and recognition of performance. It seems that for the Hungarian enterprises at this time these factors objectively influence more vigorously the chances of survival, existence and growth than do the international competition and improvement of economic efficiency.

But I am convinced that this feeling of the leaders, reinforced many times, was in essence shaped by those environmental factors about which my conversation partners did not even speak. Thus we are not dealing with an optical illusion, the error is not in them, in the way they see things. We must endeavor to create an environment in which international competition and the ability to produce income become the criteria for the long-term viability and survival of the enterprises. Under such circumstances I would certainly get different answers to this question: "What does the future of your enterprise depend on, and in connection with this what causes sleepless nights for you?"

8584

CSO: 2500/606

FIGYELO EDITOR FINDS FUTURE OF TUNGSRAM QUESTIONABLE

Budapest FIGYELO in Hungarian 13 Sep 84 p 1

[Article by Dr Gyorgy Varga, deputy editor-in-chief of FIGYELO: "Incandescent Fever"]

[Text] I still remember vividly how thoroughly the international press analyzed the reasons why the U.S. industrial giant, the Chrysler car manufacturing company, had been managed with deficits. And when the company--in part with governmental help--did stabilize its economic situation, the event was reported on the first page of the U.S. newspapers. The international press--including the Hungarian papers--was also concerned with the question: How and in what manner did Chrysler survive the crisis and what is the company's new strategy?

I do not wish to draw a parallel between the fate of the company which had incurred losses under the name of United Incandescent and entered on the path of economic stabilization under the name of Tungfram Co, with that of the company in the United States. There is no denying, however, that, although there were fewer analytical articles about the road to deficit for the Hungarian company than for the American company, the current upward trend is more often reported by radio, television and the press. "Eruption of the Incandescent Fever" is the term increasingly used.

This is not surprising. Among Hungarian enterprises, the Tungfram Co is in first place with respect to the number of workers employed and, it is also in the forefront in convertible exports. Therefore, its situation greatly affects the fate of tens of thousands of people, the export of industrial machinery and above all the changes in convertible exports. It is not at all immaterial to see how effectively the capital of this enterprise is utilized.

Measures, which had considerable financial consequences by the state authorities had been taken. The bank forgave part of the sizeable financial obligations of the company and provided favorable financing conditions on temporary basis... Thereby Tungfram received some relief. It grabbed the opportunity and, within a short time, changed the direction of the boat which had been heading for the rocks.

Some people do comment: "It is easy this way! If my losses were swallowed by the bank, I could also shine." Going by experience, not everyone succeeds even with help from the state. By now the losses of many enterprises had been "Swallowed" by the state budget without being followed by a lasting stabilization of the company's management. The management of several companies continued to lead the boat into shallow waters precisely with the hope of getting repeated aid from the state. Furthermore, let me note: It would hardly be right to use as precedent the financial interventions applied in the case of the Tungsram Co. Such sacrifices should be assumed very rarely, under exceptional circumstances and only on the basis of suitable guarantees. Pointing this out is even more justified because, in the near future, we will probably frequently encounter financial problems of marginally competitive enterprises.

The new management of Tungsram had the good sense to attack the sources of deficit which could be detected in a short time. By putting the "overweight" enterprise organization on a "reducing diet," the management has eliminated or is in the process of eliminating three significant sources of losses: the plant sites in Miskolc and Pecs and the factory in Ireland. It is granted that, these actions are of marginal significance, when compared with the size, the number of workers and the value of the investment capital. Nevertheless, they reflect the intentions of enterprise's management. The "reducing diet" was also manifested when Tungsram dropped seven places on the list of the 100 largest industrial enterprises in terms of production value (see page 3 of this issue). Naturally, this also reflects the market's value judgment.

To stabilize the financial situation of the enterprise, the production of certain losing products was halted, part of the superfluous work force was released, the management and organizational system of the enterprise were modernized, etc.

Let me not repeat the various modes of therapy. The public had already been informed by the enterprise's leadership through the press. The therapeutic method is in tune with the 1983 resolution of the State Planning Committee providing guidelines for the preparation of an action plan. These could create stability in the enterprise's financial situation for the years of 1983-85.

However, the foremost question is the distant future of the company. What will happen after 1985 and 1986? The current achievements of the Tungsram Co are derived mostly from sources which can be used only once; presumably, these will be rapidly exhausted. Thus the main question is whether the enterprise has or will have strategies for the exploration of new driving forces toward growth. The resolution by the State Planning Committee also prescribes an expansion of a long-range conceptional program. In preparing it the enterprise can largely rely on its own--primarily intellectual--resources. The enterprise must explore and put into motion energies such as the strengthening of innovative capability, increased market sensitivity, improved quality of customer services, and adherence to technical and quality

requirements in general. Because of its tradition and characteristics, the future of the Tungram Co is dependent, above all, on its innovative ability, on its willingness to experiment and take initiatives. It depends on the rate and scope of its research and development which, when confronted by realities, will enable the company to modernize its products—such as light sources, for instance. The establishment of new production lines, electronics, among others, is an indispensable requisite for the long-range maintenance and improvement of its market potential.

In our times, the long-range competitiveness of enterprises based on science-intensive technologies, which includes Tungram, depends to a large extent on the degree to which they become or can become participants in the international division of labor. This depends, first of all, on whether the enterprise is attractive to the potential partners. What specialties, original production methods, manufactured or intellectual products is it offering in exchange for the know-how, licenses, intellectual services or operating capital of the foreign partners? Thus, we are returning to the necessity of market-oriented technical development which is the basic determinant of the long-range fate of the enterprises. The fate of the enterprise rises or falls with it. It is hoped that the Tungram Co will be able to regain its earlier strategic positions and to reinforce them. And when we are certain of this, then the incandescent fever will become truly justified.

2473

CSO: 2500/8

ENVIRONMENTAL WATER PROTECTION, SHORTAGES STRESSED

Severe Water Shortages

Warsaw RZECZPOSPOLITA in Polish 14 Sep 84 pp 1, 5

[Article: "How Bad Is the Water Situation?"]

[Text] Traditional economy ranks water as a free good, i.e., one which nature offers us in unlimited supplies. With this assumption in mind, we drew water unconcernedly for many years from rivers, lakes, depths and wells for industry, farming and municipal management, and we poured back sewage. This is how we have come to a situation where, according to information from the Office of Environmental Protection and Water Management, if there are large amounts of precipitation in the fall and snow in the winter (but without sudden thaws), the water supply should not worsen.

These problems, which unfortunately are not just temporary, have two basic causes: many years of wastefulness in the management of water supplies and the continuing low level of precipitation. Even this year's rainy July did not save the situation because precipitation from the beginning of the year until the end of August was lower than normal (316 mm lower in Zamosc, 108 mm lower in Warsaw and 471 mm lower in Poznan).

The statistics for August are even more alarming because the departure from the norm vacillates between a few and several score percent below the norm. The end of August brought a rapid lowering of the water level in practically all rivers. A large drop in the level of groundwater was also noted mainly in the central part of Poland and in the region of Silesia. For all practical purposes, a good groundwater level maintained itself only in the northwestern areas of the country. There are also shortages and even local lack of water in farm wells.

Did these climate anomalies take us by surprise? On the basis of long-term climatological forecasts, the Office of Environmental Protection and Water Management predicted difficulties and turned to provincial offices with the proposal of working out operative plans of action in case of problems. Owing to such preparation, the residents of Krakow can already use 194 renovated deep water wells as well as water faucets located on the first floor of houses and apartments and in basements; they can also take

advantage of watertank trucks and in the coming weeks there will be an emergency procurement of deep water which will supply 5,000 square meters of water per 24-hour period (situated near the water intake on the Rudawa River). Such actions are obviously necessary, but it is also important to think about the future, i.e., about building water reservoirs and water sewage treatment plants. The construction of nine water reservoirs is continuing. However, we still need at least six more (among other places on the Skawa River, which would supply Lower Silesia).

An important factor which could improve water management is its rational use by manufacturing plants. They are its greatest consumers and at the same time its greatest polluters.

* * *

The shortage of water in Krakow has become very serious. In the majority of apartments located in the center of town and in the district of Krowdrze, water is supplied for scarcely more than several hours of the night. However, there are also places where there has been no water whatsoever for several weeks. The daily shortage of water in Krakow is estimated to be as high as 90,000 cubic meters.

The growth of the city, which is uncorrelated with the capabilities of supplying new housing developments with water and the drought which has been recorded for several years now, is only a partial excuse for such a state of affairs, for it turns out that there are periods during which the water intakes on the Vistula River have to be turned off due to such a high degree of contamination of the river that its water is unfit for treatment. The main offenders of this state of contamination are the mines from the Silesian region, which dump sewage into the Vistula exceeding all permissible norms. It is enough to say that the salt content of the Vistula amounts to approximately 1,500 mg per liter. In other words, it is higher than the salt content of the Baltic!

In order to offer immediate help to the situation, all available watertank trucks have been placed in service, wells from the Middle Ages are back in use and faucets are being installed in basements with the idea that water will appear more frequently at lower levels than at higher building levels. Water limits have been cut (20 percent on the average) for work establishments and fliers have been printed in which appeals are being made for proper conservation of water.

All of these endeavors can improve the situation somewhat, but they will not be capable of changing it radically. Energetic steps are therefore being proposed with regard to the major polluters of the Vistula (it continues to be more profitable to pay fines than to build water treatment plants). It is also proposed that the implementation of a new intake on the Raba River be sped up. This water intake is supposed to be ready no earlier than 5 years from now, and if the work pace does not take on considerable speed then the dry spell in the faucets of Krakow will take on

catastrophic proportions. We are waiting, therefore, for assistance from the central authorities, for their unequivocal decisions.

* * *

There has been a water shortage in Warsaw for several years now. This is caused by, among other things, a dry spell and the resulting low water level in the Vistula, which is the only source of water for the city.

On the 12th of this month, there were barely 125 centimeters of water on Warsaw's water level indicator. This was 80 centimeters short of the normal level. Old devices for drawing water to the water main found themselves above the river. Water from the Vistula has to be pumped over in order to accommodate the difference in levels.

"For the time being, Warsaw is not threatened with an absence of water," claims Stefan Pluciennik, director of the Municipal Water Supply and Sewer Construction Enterprise. "The situation is not yet drastic, but it is not good either. A low water level also means a greater concentration of pollutants. As a result, water mains cannot be exploited fully. Plankton in the summertime and slush ice during the winter clog filters, which our people have to clean by hand two to three times daily. It appears that nothing more can be squeezed out of the two water mains which currently supply Warsaw, i.e., the Central and Praga water mains. The rather poor quality of water constitutes one of the barriers. Currently, we can supply our capital with 650,000 to 700,000 cubic meters of water daily."

The situation will undoubtedly not improve until 1988, after the completion of the first phase of the construction of a northerly situated water main.

Water Pollution, Treatment

Warsaw AURA in Polish No 8, Aug 84 pp 17-19

[Article by Kazimierz Gorka: "The Cost of Water Treatment in Poland"]

[Text] In the letter to the editor of AURA which was published in issue 3/1984, the members of the Ecological Club of Gazomontaz ZBG in Wolomin inquired about the cost of indispensable outlays for water treatment in Poland and about the possibility of social assistance in this matter. We turned with this question to a well-known specialist in the field and our collaborator, Dr Kazimierz Gorka, from the Academy of Economics. What follows is his view on the matter.

In order to try to answer the raised question, it is necessary to begin with the statement that until now indispensable economic outlays had not been assessed in Poland in terms of bringing about a state of ecological equilibrium in the environment and without taking into account projections based on the indicator of the share of these outlays in the national

income. Thus, it is estimated that it will take a 5 to 10 percent of the national income to make up for the accumulation of outstanding work in environmental protection and 3 percent in a balanced economy.

Earlier assessments assumed a greater burden on the national income with ecological expenses. However, currently the projections are more optimistic and, what is more important, they are confirmed in practice by highly developed countries. The indicator under discussion came to nearly 0.5 percent in Poland, while in countries which lead in this respect it exceeded 2 percent.

Many assessments of indispensable outlays for environmental protection were made in selected regions and industrial centers. However, the national and regional programs of environmental protection placed the outlays within a framework of 1985 and 1990 time-frames by describing material effects and not defining in precise terms the state of the environment after the implementation of protective undertakings (but only that emissions will be reduced by half, for example). These programs have become obsolete not only because of price changes but also as a result of the economic crisis. In terms of the water economy, the Wisla program was fundamental. Despite its criticism, it would be a good idea to return to it, but on the condition that the priority of capital expenditures will be changed to begin with the construction of sewage treatment plants.

It is a well-known fact that the water situation in Poland is catastrophic. Fifty percent of cities and 35 percent of industrial plants, which are a menace to the environment, do not have sewage treatment plants. As a result, 7.5 billion m^3 of cooling water and 4.6 billion m^3 of industrial and municipal sewage is dumped into surface waters. Of this amount only 3 percent undergoes full treatment, while half undergoes partial treatment. These are data gathered by GUS [Main Office of Statistics] for 1982 which pertains to plants which use at least 40,000 m^3 of water annually, or approximately 100 m^3 of water daily. In effect, only 1 percent of the length of rivers (not more than 5 years ago it was 10 percent) can be categorized as having first class water in terms of purity, while 49 percent of the length of rivers is beyond all classification!

A specialized planning bureau should determine the indispensable capital outlays for water treatment in Poland. In my opinion, AURA can count on such an assessment. Here, we will conduct only a simple assessment.

Taking into account the growth of industrial production and the increase in population as well as the carrying off of sewage from small plants and farms, it may be assumed that more than 5 billion m^3 of sewage should be treated in Poland annually. Urgent needs can be estimated at 2.5 billion m^3 . By assuming the capital investment cost of treatment at a level of 30 to 50 million zlotys in terms of 1,000 m^3 of sewage per 24-hour period (in practice this differentiation is greater--6 to 200 million zlotys, and it depends on the size of the treatment plant, the type of sewage and the methods and degree of treatment), we will obtain a level of 200 to 350 billion zlotys for the most indispensable investment outlays. On the other

hand, outlays for the full treatment of all sewage would come to at least 400 to 680 billion zlotys, or simply 500 billion zlotys.

At the same time, it should be kept in mind that the construction of sewage treatment plants usually entails other capital outlays of water management. By assuming the expenditures for environmental protection to be at the 40 billion zloty level annually, with 50 percent of this for sewage treatment, we receive a very unfavorable result: the implementation of the program under discussion would last approximately 25 years. This calculation is based on correlations for 1984 during which outlays for environmental protection have been planned in the amount of 35 billion zlotys, i.e., 2.9 percent of the capital outlays in total (in 1982, this amount was 11.6 billion zlotys and 1.4 percent). Now, assuming an increase of these expenditures due to increased outlays in the future for environmental protection (and due to the increasing depreciation of treatment plant equipment), the period under discussion can be reduced at best to 15 years, but then the reduction of water pollution by half would take place in approximately 10 years.

Such a long period of time to clean our rivers, and this assuming an optimistic variant! This results from many restrictions. Thus, because of economic difficulties, it is assumed that by 1990 the share of outlays for environmental protection in the total sum of investment outlays will come to only 3 percent, while investments will grow relatively slowly. Of course, in the structure of investment outlays we must maintain their proper share for raw material management, for the food complex, for the electrical-machine building and chemical industries, for housing construction and for water management (supply of cities with water, flood control, drainage, etc., which in 1984 came to 40 billion zlotys, or 4 percent of the total investment outlays). In turn, in the internal structure of outlays for environmental protection, the appropriate share of expenditures for the purification of air, the elimination of waste, etc., is indispensable. The solution to the issue under discussion requires not only financial means but also appropriate supplies of equipment for sewage treatment plants, and specialized construction-assembly enterprises which install the treatment equipment. In 1980, the needs in this area were provided for at an estimated 50 to 60 percent.

The extent of the problem is attested to by the 14,000 manufacturing plants which pollute the water and of which 2,100 pay fines for pollution which surpasses the norm. Approximately 100 sewage treatment plants are planned to be placed in operation during 1984-1985, and 130 annually afterwards. Taking into account the construction of water treatment facilities to be used jointly by several plants, the introduction of closed water cycles as well as technology for the treatment of water containing little or no waste products, great effort will be required to achieve a significant improvement in a matter of 10 years in the state of the water in our rivers and in the Baltic.

Another important element of this account is the cost of operating the sewage treatment plants, which in terms of mechanical and biological

equipment amounts to anywhere from 2 to 10 zloty/ per m³, while in chemical treatment terms it is considerably more. However, it should be stressed that the costs of sewage treatment may make up at the most 3 to 4 percent of the cost of production of the most polluting enterprises, and therefore it is relatively easy to accept these costs. In practice, there may occur problems with supplying the treatment plants with parts and material.

In summing up, the following conclusions may be inferred:

--The state of the environment, including water purity, is decisive for the quality of life, and thereby it determines the degree of socioeconomic development. That is why outlays for environmental protection are essential and should be treated as an element of economic growth (and not identified with losses);

--Investment outlays which are indispensable for water treatment in Poland are very high (approximately 500 billion zlotys), but realistic on the condition that the implementation of plans for the construction of sewage treatment plants and other undertakings will not be put off continually. The Water Management Fund and the Environmental Protection Fund should play a vital role in the financing of the construction of water treatment plants. To this end, water consumption rates and charges for carrying off sewage (which would be an additional incentive for the construction of water treatment plants) should be increased, and these payments allocated to a greater extent than has been the case until now for the construction of sewage treatment plants, and the depreciation of equipment of the water-sewage management sector should also be taken advantage of in an appropriate manner (rates for carrying off sewage will decrease while depreciation will increase);

--Neglect in the area of water protection results not only from meager funds but also from weak interest on the part of ministries and enterprises that opt for the quantitative growth of material goods. That is why the pressure of public opinion by way of, among other things, workers self-government and trade unions on enterprise management for the purpose of increasing concern over the natural environment is important. Social action may be used, as in other production undertakings, but on a rather small scale. However, it [social action] can play an important role during the planning stage.

9853

CSO: 2866/1298

PLANNERS EYE CAPITAL GOODS NEEDS OF AGRICULTURE, FOOD INDUSTRY

Warsaw RZECZPOSPOLITA in Polish 14 Sep 84 pp 1,2

[Article by (PAP)]

[Text] The programs for supplying agriculture and the food economy with chemical agents, and the development of agricultural chemistry until the year 1990, were the subjects of a session held by the Presidium of the Planning Commission of the Council of Ministers.

Deputy premiers Roman Malinowski, NK ZSL chairman, and Zbigniew Szulajda, and representatives of the leadership of the interested departments and institutions participated in the deliberations which were led by the Planning Commission Director, Deputy Premier Manfred Gorywoda.

It was agreed that the programs discussed, in accordance with the resolutions of the joint plenum of the KC PZPR and NK ZSL and in accordance with the program of development of agriculture and the food economy approved by the Sejm, anticipate a rapid growth of the technical development of agriculture. The basic premise of their preparation was to assure the complexity and completeness of the development of technological sequences. Their main focus was on the liquidation of the narrow cross-sections in the increase in agricultural production. This meant determining the hierarchy of tasks and priorities in the development of production on behalf of agriculture. In accordance with the strategic goal of increasing self sufficiency in food production, the programs anticipate the realization of the principle of increasing hard currency self-financing of the costs connected with the cooperational-supply and investment imports. The Presidium of the Planning Commission asserted that with the increase in the technical means for agriculture, the possibilities of cooperation with socialist countries ought to be utilized to the maximum.

The participants in the discussion pointed out the economic-financial problems of developing production on behalf of agriculture. They stressed that the increase in the technical development of agriculture ought not to lead to an excessive growth of the costs of food production. For this reason they considered it extremely important to determine within the framework of the programs the tasks for improving the effectiveness of the use of materials,

the reduction of the energy-intensiveness and use of fuel, and the realization of the innovative savings tasks.

The Presidium defined the course and directions of work on the programs devoted to improvement in meeting the needs of agriculture and the food economy with regard to the means of production until 1990.

Next on the agenda were the course and results of social consultations of the assumptions of the National Annual Plan (CPR) for 1985. In the discussion carried on since July on the subject of the premises of the next years' plan, social and political organizations, trade unions and trade and creative milieus expressed their opinions. The publication of the premises of the CPR in the daily press and a broad exchange of views on them in all the mass media, permitted broad circles of society access to CPR problems and increased knowledge of the conditions of economic development not only with regard to the next year but also to the following years. It was the first time that enterprises and their work forces participated in such a broad consultation on the premises. A total of about 1500 enterprises carried out an open discussion on the proposals submitted by the government. Rich material for further planning was collected as the result of questionnaires sent to about 1100 enterprises. The Planning Commission also received a great number of observations and motions concerning the premises from private people. Over 120 lengthy evaluations including observations and postulates addressing general and particular proposals contained in the CPR premises were sent to the Commission.

The Presidium of the Planning Commission stated that the material gathered as a result of the consultations will be an important contribution to the preparation of the project of the Central Annual Plan and will assure greater accuracy in its decisions. All the participants in the consultations were thanked for this contribution.

The preliminary discussion on the premises of the CPR showed that most people expressed the opinion that improvement in the state of the economic balance and a decrease in the rate of inflation were the main economic goals for 1985. In this light, the model shaping the income of the population and the market balance received definite support. This model assumed that all the anticipated growth of goods and services be directed toward the improvement of the market balance. Also generally accepted were the assumptions of limiting the next year's growth of prices. In the light of the discussion the view was formed on the need to make efforts to achieve higher food supplies for the market. The majority of the participants in the consultation showed understanding for the proposition to lower outlays for construction-assembly investments by 100 billion zlotys in relation to the realization of investment costs anticipated for the current year.

The final conclusions from the consultations of the CPR assumptions, which would constitute the basis for further work on the project of the plan, will be presented to the government. Broad information on this subject will be published in the nearest future in the press.

INTERAGENCY GROUPS UPSET OVER UNDERFUNDING OF BASIC RESEARCH

Warsaw RZECZPOSPOLITA in Polish 19 Sep 84 p 2

[Article by Witold Blachowicz: "Threat Not Only to Science"]

[Text] On 18 September 1984, the Presidium of the Polish Academy of Sciences held a session under the chairmanship of its president, Prof Jan Kostrzewski. A report was heard, prepared by the interagency commissions for the review of basic research programs, concerning the state and the course of basic research. The three commissions at work made a review of the nationwide research program in particular fields of science, from social research through biological research, research on the exact sciences, technological, agricultural, medical research, and ending with earth science. In general, it was ascertained that the majority of research tasks being carried out within the scope of basic research were fulfilled, due to the influence of corrective actions introduced in previous years concerning both the number of subjects and the priority of directions. The time cycle in basic research is extended, and therefore the effects of the crisis in this field are not immediately apparent. Nonetheless, certain developments are very ominous. Furthermore, the interests of many research teams--because of the lack of funds, equipment and motivation--has shifted from the sphere of applied research and implementation to purely cognitive and theoretical studies. This trend is also fostered by a distinct decline of scientific and technological progress in many branches of industry.

Such occurrences, in addition to a conspicuous dislocation of funding earmarked for research, threaten to exhaust the existing resources of Polish science. This development would be catastrophic for the country's development. The shortage of equipment alone and the disintegrating research workshops, apart from other problems, make it impossible to pursue modern research, and even worse, do not permit the training of young specialists.

Taking all of these conditions into account, the Presidium of PAN "has expressed its concern about the state of funds for the implementation of basic research. The Presidium of PAN has adopted this opinion (the opinion expressed by the interagency commissions--note by W.B.), acknowledging that the persistence of this situation leads to a degradation of scientific workshops and is a check to the further progress of research."

Research programs cannot be separated from the overall objective of developing the country and its economy. This also pertains to the plans for the immediate future. Meanwhile, the projections of the Central Annual Plan [CPR] for 1985 neglected science and technology. That is why "the Presidium of the Polish Academy of Sciences expressed its concern that the projections of the CPR for 1985 did not mention the role of science and technology and its share in the development of the country, and that no pronouncements on this matter by the representative leadership of PAN have been forthcoming."

1015

CSO: 2600/4

SEJM BODY TAKES CRITICAL LOOK AT FOREIGN TRADE STUMBLING BLOCKS

Warsaw RZECZPOSPOLITA in Polish 14 Sep 84 p 2

[Article by (wycz): "The Reform in Foreign Trade and the Marine Economy"]

[Text] (Own information) Under the chairmanship of Deputy Tadeusz Lodykowski (PZPR), the Sejm Commission for Foreign Economic Cooperation and Marine Economy, deliberating on the 13th of this month, reviewed the state of the implementation of the economic reform in foreign trade and marine economy and the information on the realization of savings and anti-inflationary programs; it also familiarized itself with the CPR [Central Annual Plan] assumptions for 1985 in both departments.

Foreign Trade Minister Tadeusz Nestorowicz stressed that the systemic solutions promoted the development of foreign trade, which in 1983--in comparative prices--reached 93.5 percent of the export volume of 1979 and next year would exceed the export volume of the pre-crisis period; at the same time the import volume from hard currency countries was smaller by 45 percent.

Minister Jerzy Korzonek, the director of the Office of Marine Economy, stated that the marine economy enterprises were following the general principles of the economic reform; due to the fact that these enterprises dealt directly with the world markets, however, some systemic solutions had to be adjusted to the specifics of the marine economy. It was also important to define the principles of financing the infrastructure of the marine economy and to regulate by a Council of Ministers' resolution the principles for purchasing ships by Polish shipowners in Polish shipyards.

The enterprises of the marine economy are introducing new wage systems based on incentive, extending them to over 43 percent of the employees so far. A visible increase in productivity has occurred, for example, in repair shipyards, where productivity has grown by 18 percent in relation to the same period last year; in ports it increased by over 10 percent.

The problem of unified bank services for marine economy enterprises remains unresolved.

Deputy Zdzislaw Malicki (PZPR) next presented to the presidium of the commission the project for the opinion on the subject of the government report about the implementation of the economic reform in 1983 in the parts dealing with foreign trade and the marine economy.

Deputies Mieczyslaw Zietek (PZPR), Zdzislaw Pukorski (SD), Jozef Gorniak (PZPR), Longin Cegielski (ZSL), Tadeusz Gajda (PZPR), Jan Czapiewski (ZSL), Tadeusz Lodykowski (PZPR), and Ignacy Wall (ZS) took the floor during the discussion, pointing out the need for modifying a number of solutions in foreign trade with regard to the expansion of export. This export amounts to only 13 percent of industrial production. The deputies asserted that there was an excessive differentiation of economic incentives for export, which already presented an obstacle to comparison of truly productive results.

In praising the favorable systemic solutions for the spheres of foreign trade and marine economy, the deputies from the Commission for Foreign Economic Cooperation and Marine Economy in their evaluations pointed out the need to act against the consolidation of negative trends in foreign trade which result in a structure of export to hard currency countries at odds with the assumptions of the NPSG [National Socioeconomic Plan]. That export is dominated by raw and other materials, with a low share of processing industry products. The credit balance with these countries is obtained by drastic import curbs.

In order to reach the strategic goal of an export structure with the definite participation of the processing industry, all economic incentives and priorities in supplies of investment funds, as well as conversion of material and human resources in areas considered to be developmental, must be concentrated on this goal. The current methods of management and steering do not provide such a concentration of efforts and funds on the pro-export development of the processing industry. Spontaneous, basic transformations in the structure of production cannot be expected.

As for the other points on the agenda, the commission heard the reports of the heads of the foreign trade and marine economy departments on the realization of savings and anti-inflationary programs and information on the CPR assumptions for 1985.

12270

CSO: 2600/12

SEJM DEPUTIES DEFEND REFORM-EXEMPT STATUS OF MINING INDUSTRY

Warsaw RZECZPOSPOLITA in Polish 19 Sep 84 p 2

[Article by Wycz: "Implementation of Economic Reforms in Mining"]

[Text] It has been persistently asserted in some circles that enterprises grouped in the Ministry of Mining and Power Industry do not implement the principles of economic reform.

The hard coal mines and power plants have been recognized as public utility enterprises playing a special role in the national economy and were treated accordingly in the economic reform legislation. Nevertheless, aside from the legal exceptions, they are bound by the same principles as most industrial enterprises in the country.

Deputies from the Commission for Mining, Power and Utilization of Natural Resources, meeting on 18 September 1984 under the chairmanship of Deputy Stanislaw Kamieniarz (PZPR) to consider the implementation of reform in the mining and power sectors and in the Central Office of Geology, have strongly opposed the harmful opinions accompanying the changes introduced in the mining industry.

National economic recovery depends on a properly functioning mining and power industry, said Deputy Tadeusz Gajda (PZPR). Had the organizational and systemic solutions been forced in as in other industrial branches, the economy would have neither coal nor the necessary amount of power. As the mining situation stabilizes, the ministry itself takes measures in which enterprises increasingly conform to the principles of reform. One such action is the voluntary creation in the coal mining industry of multilateral public utility enterprises, such as territorial mining associations (instead of the obligatory associations), which integrate the decisionmaking and economic functions.

Deputy Jan Konieczny (PZPR) pointed out the need for modification of the wage systems in the mining industry provided by Government Decision No 199 in view of declining incentives.

Participating in the discussion, Deputy Government Plenipotentiary for Economic Reform Prof Zdzislaw Sadowski stressed that organizational solutions

undertaken in the mining industry to correspond to the specific character of that industry. However, some basic problems are not yet being solved in a proper manner. This concerns, among other things, the interconnection of the mining costs with coal prices, the functioning of the balanced account, the clearing of accounts between the mining industry and foreign trade regarding exported coal, as well as the matter of wages in the mining industry.

Deputies Jozef Gorniak (PZPR) and Barbara Majzel (PZPR) also took part in the discussion. A team was appointed to come up with a commission view on the implementation of economic reform in the mining industry and geology.

Thereafter the deputies received information provided by ministry representatives concerning the projections of the CPR [Central Annual Plan] for 1985.

1015

CSO: 2600/4

CONSTRUCTION MINISTER ON CHANCES FOR INDUSTRY RECOVERY

Warsaw RZECZPOSPOLITA in Polish 19 Sep 84 p 5

[Interview with Stanislaw Kukuryka, minister of construction and construction materials industry, by Hanna Grzegorzczuk: "There Are Many Tasks Ahead of Us"]

[Text] In the last week of September, a crowd of close to a million workers in construction and the construction materials industry will celebrate their traditional professional holiday, Construction Day. In connection with that occasion, a reporter from the Polish Press Agency spoke with the minister, Stanislaw Kukuryka, about the most important problems in Polish construction.

[Question] Construction is one of those areas of our economy to be most strongly affected by the consequences of the crisis. Is it possible today to speak of results in extricating construction from the deadlock?

[Answer] Construction work has close, multileveled connections with what is happening in the entire economy! So a recovery of stability is also evident in the area of our activity. Construction has gained a lot of ground; it is starting to fulfill its plans more successfully. Evidence of this is the check in the decline, which has been on going for several years, in the number of apartments finished each year. Naturally, these results do not yet measure up to social needs and expectations, which diminishes their significance. We believe that this year, too, we shall deliver no fewer apartments than last year. The fulfillment of this year's plan so far validates such a statement. Let us add that we are building new housing blocks in a more comprehensive fashion and, let us hope, without any technological flaws. What does have favorable chances of significantly greater realization than in past years is this year's program of building schools and kindergartens, and especially hospitals and other health service buildings. Our aim is not only to fulfill the year's plan in full, but also to compensate for arrears from past years.

Among positive phenomena we can count the decided improvement in the realization of municipal investments.

In industrial construction we also see the most effective activity of our undertakings. They are concentrated primarily on investments covered by government orders. We are nearing a successful completion of the construction of a so-called tractor complex, which is immeasurably important for the future of farming. Also better is the fulfillment of many tasks in the agriculture and food industry (e.g., in the baking trade), the Polnoc Waterworks in Warsaw, investments which are supposed to assure greater quantities of water for Krakow, Katowice, Walbrzych, and Legnica. To recapitulate, the effects of construction's emergence from the deadlock are evident, though it is hard to say that we are already fully satisfied with this, since we're only at the beginning of the road. But what is important is that it's the right road.

[Question] At least two basic goals in the projections of the Central Annual Plan for 1985--putting the investment front in order and the housing construction program--chiefly address construction. To what extent is construction prepared for these tasks and what is required for their successful realization?

[Answer] In the present situation of continuing constraints in investments, construction policy consists of concentrating on a few basic aims. This will be the construction of housing together with an infrastructure, and especially with the building of schools; municipal investments, especially in the area of water intake, refining and heating; health service buildings as well as investments covered by government commissions. These undertakings, in compliance with government policies, we consider the most important. We are trying to counteract investment constraints, especially enterprises which have an appreciable surplus of financial resources, which creates a disproportion between capital expenditures and the capabilities of the economy. Construction cannot, however, assume the role of a filter stopping the surplus influx of money. Other fundamental regulations of the system which are expected to be introduced in 1985 are essential here. We have appealed to enterprises for a "slimming" in commission funds, a decrease in the number of continued assignments, a concentration on the most important buildings. This is beginning to produce the anticipated results. We have an excess of valid goals in the realm of investments and we have to oppose that phenomenon.

[Question] This year a general tidying up of "construction's back yard" has started. What are the most important of the changes introduced in the system?

[Answer] I consider the most fundamental change, alongside the factory wage systems, and they're already in effect in 70 enterprises, to be the progress made in the organization of construction work, the introduction of principles of universal accounting on the basis of a created and improved normative base. The universality of accounting for buildings and jobs creates partnerlike relations with the investor, raises the value and effectiveness of the agreement negotiated with him, makes possible the realization of the principle of good pay for good work, and influences the economic effectiveness of the projects undertaken. So we are restoring

the duty, relinquished for years, of estimating costs of jobs, the limiting of the use of material and the control of material management. We already have a category of unjustified costs established in our set of systemic procedures. We are counting on the fact that these changes will have a beneficial influence on the determination of prices and costs in construction, will improve the results of economic enterprises, will discipline the settlement of accounts along the line of executor-investor, will sharpen the demands of economic, rational thought, and the planning of jobs as well as their progress.

[Question] The construction industry sector is simultaneously a significant producer of building materials. What is the situation in that branch and what is being done for its development?

[Answer] Our department's firm produces about 30 percent of the materials used by construction. The annual value of this production is large. This year it will reach a quota of 231 billion zlotys, or about 11 billion zlotys more than a year ago. They serve mainly for the production of so-called unfinished buildings. These are binding, wall, insulating, and roofing materials, aggregates and structural woodwork. In many branches current production has already surpassed the level of the best years.

The intention is to bring things to a state whereby the production of materials would be ahead of the development of construction. Therefore, in aiding the development of regional industry as well as local production, we are attaching a lot of significance to the increase of possibilities of key production plants.

In cement factories we are shifting from the so-called wet method to the semidry and dry methods, which will allow for the wisest consumption of fuel. The development of calcareous plants is a project that we face. A broad program of modernization is being put into effect in the branch of ceramic building materials. We attach great hopes to the improvement in standards of construction, especially of housing, to two large buildings that have been constructed and are to produce mineral wool. The delivery of these plants in Malkin and Cigacice will allow us to double the previous production of this premium insulating material. We are counting on the fact that their mechanical start-up will take place as the current years moves into the next.

[Question] What will be the strategy of the construction sector's future activity?

[Answer] To improve and develop everything that's good, effective, and useful in construction, and to eliminate the weak points. We still detect weaknesses in our organization of jobs and in their standards, though there has been progress here in applied technology and engineering, and also in the present endowment of construction with equipment, installation fittings and tools, in improper economic relations as well as socially harmful cases of waste and uneconomical management as well as a low

construction work ethic. Future development depends on surmounting such obstacles, on achieving results superior to those attained so far, and finally giving builders greater satisfaction from the performance of a very difficult profession, a profession that is socially so much in demand.

In the modernization of construction, the creation of better architecture, the development of current systems and technology, we are counting on the help of investors and draftsmen, and also of representatives of scholarly circles with whom most recently we have entered into closer collaboration. What will aid the improvement of standards is, among other things, the general duty, introduced this year, of receiving quality in all assortments of goods from housing materials factories and also the prepared rules for certifying the remaining materials. We anticipate that the people will sharpen their efforts in controlling standards.

We intend to disseminate widely the knowledge of good construction work not only through the system of teaching at school, but also, with the help of specialists from the Polish Union of Building Technicians, in the form of broad mass instruction and guidance, to create the concept of a "Construction University," i.e., knowledge and competence in construction. Those enterprises which we wish to set up so as to raise to a higher level the standards of excellence of construction work will also have far from trifling significance. I believe that nowadays our new trade unions and their federations are a good partner, and not only in those activities. The matter of safe and high-quality work in construction is no less important a matter than that of technology and engineering, progress and innovation, for they are interdependent.

The construction profession is a profession of the future in our country, for we need housing, schools, and hospitals. This profession merits honor and respect. For a lot depends on all of us working in construction and the construction materials industry in the battle against still-present evils. There are many tasks ahead of us. On the one hand, we need discipline and effective work, and on the other, patience and understanding, for this is a process that needs time.

12584

CSO: 2600/9

POLAND

EAST-WEST SHIPBUILDING TRADE FAIR OPENS

Polish, Norwegian Exhibitors

Warsaw RZECZPOSPOLITA in Polish 6 Sep 84 pp 1, 2

[PAP news item: "First East-West Maritime Conference; Trade Discussions at Baltexpo-84; Interesting Aspects of Cooperation with Norway"]

[Text] At Baltexpo-84, in which 238 firms from 18 countries participated, trade talks took place, old contacts were renewed and new contacts established.

Foreign guests were greatly interested in the shared booth of Centromor and Navimor, especially in their proposals for building ships and sailing boats.

The Lenin Shipyards of Gdansk offered, inter alia, a multipurpose bulk vessel, 29,000 deadweight tons, which has been already ordered by Finland and others. She is designed to carry grain, cellulose, containers, iron ore and coal.

The Paris Commune Shipyard in Gdynia, specializing for years in building type OBO bulk vessels, offered a modernized version modified to carry loose and fluid cargo.

The Warski Shipyards in Szczecin offered a unit designed to conduct sophisticated research of the ocean floor and to explore for oil and natural gas deposits.

The Wisla Shipyards in Gdansk offered various types of small, modern fishing units and trawlers modified for fishing in tropical waters.

There were many inquiries regarding sailing ships built in the Gdansk Shipyards and yachts built in the J. Conrad Shipyards in Gdansk.

There was fairly wide interest in the Techmet booth, which was a part of the Centromor collective exhibition.

Tuesday, 5 September was Norway day. At a shared booth, 15 Norwegian firms involved in maritime economy presented their offers.

The Norwegian enterprises participating in Baltexpo-84 are the world's leading companies in the area of broadly defined sea safety and operations. As an example of continuing interest in the development of this industry, one can cite the use of microprocessors and other modern techniques in a wide variety of Norwegian shipping industry products.

On the other hand, the Norwegian merchant marine and Norwegian ship owners are becoming progressively more interested in specialized units of a certain type, Ro-Ro, for chemical and gaseous cargo that require the most modern and most reliable equipment. There is a strong indication that there may be a possibility of cooperation between Poland and Norway in this area, in view of the fact that our shipyards build ships of that type and are interested in importing equipment for those units.

Taking advantage of the Baltexpo-84 East-West Maritime Conference for the first time, a 2-day meeting started on 5 September in Gdynia. Baltexpo-84 attracted specialists in trade, management and maritime technology from over a dozen countries.

As Minister Jerzy Korzonek said in opening the meeting, maritime economy, because of its worldwide scope, is singularly suited to international cooperation. This natural characteristic has been reflected for a long time in East-West relations, and especially in Polish foreign trade. However, at the same time, and especially more recently, there are unfavorable developments, such as the worldwide shipping recession, protectionism and other restrictions practiced by some states which cause international cooperation to be more difficult. Such actions should be eliminated or limited, and areas of cooperation between countries with different political systems and different levels of development should be sought. Minister Korzonek presented the new principles of Polish maritime policy. One of these principles is to increase the participation of Polish maritime economy in the international division of labor. Baltexpo-84 and the associated conference are indeed actions leading to the fulfillment of that principle.

During the first day of the conference, the experience and the export capabilities of Polish shipping industry were presented.

In a multilateral exchange of views, the problems related to imports of ship equipment and other goods to Poland from the Western countries were discussed. Additionally, the role and capabilities of maritime economy in influencing the Polish balance of payments were presented.

Soviet Ship Orders

Warsaw TRYBUNA LUDU in Polish 6 Sep 84 pp 1, 5

[Article by Urszula Orzelska: "The East-West Maritime Conference; Soviet Orders Determine How Modern Our Shipyards Can Be"]

[Text] Many affairs, meetings and conferences accompanied Baltexpo-84. One of those was the First Maritime East-West Conference which started on 5 September in the Wool Chamber building in Gdynia.

Opening the proceedings, the minister in charge of the Office of Maritime Economy, Dr Jerzy Korzonek, stated, inter alia, that the maritime economy cannot prosper in isolation, that it requires international cooperation, especially in a time of world crisis when unfavorable actions are taken, such as the strengthening of protectionism, decline of freight rates and less than full use of sea resources.

The situation in the Polish shipyard industry, its scientific support structure and its development prospects were presented by Jerzy Szopa, vice chairman of Polish Foreign Trade Chamber. He said that it is well known that soon the only shipyards that count will be those that achieve a high degree of specialization. Such an opportunity has opened up for our shipyards thanks to the new Soviet orders for the Shelf Program.

A day earlier, I visited at Baltexpo-84 the booth of the Soviet firm Sudimport. It was told that Poland is the greatest and the most important Soviet partner in the area of ship building. Interest in the Shelf Program is growing in the Soviet Union, whether in the Baltic, in the Far East or in the Caspian Sea. There will be no shortage of orders from the Soviet Union. A contract was signed for 144 ships to be delivered by Poland to the Soviet Union over the next 5 years. Within the framework of this cooperation, the Soviet Union will deliver equipment which until recently Polish shipyards had to buy in the West for hard currency.

Within the Shelf Program framework, the Soviet Union cooperates with other countries besides Poland. It cooperates, among others, with Japan and Finland, said Stanislaw Usowicz, the representative of Sudimport in Warsaw, during the conference.

Cooperation with Poland includes a new area: maritime technology. The Warski Shipyards in Szczecin specialize in building research vessels. There were extensive discussions of the Polish balance of payments situation and of American restrictions and lack of credits, which slow down production and thus limit the increase of exports.

Avid Flagestad, vice president of A/S Exportfinans of Oslo, said: "Our bank has furnished credits to Centromor for 15 years and will continue to do so. We are good neighbors and partners."

8801
CSO: 2600/5

BRIEFS

GAS SIGNS IN TEST WELL—The "Paszowa 1" geologic test well near Lesko in the Carpathians which recently broke a Polish record after reaching a depth of 7,037 meters, is still being drilled and has now passed the 7,100-meter mark. The last few meters produced a surprise, i.e., evidence was found of the presence of natural gas. The discovery of gas in Poland's deepest test well still does not mean that the deposits found there are of any industrial significance, but it is valuable proof of the need to carry on with exploratory drilling at this site. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 41, 7 Oct 84 p 2]

ECONOMISTS, ENGINEERS SIGN ACCORD—Economists tend to focus their attention on macroeconomic problems. This is why it will be very useful for them to be confronted with the pragmatic problem-solving approach taken by engineers. And a broader knowledge of economics will come in handy for engineers. These aspects of collaboration between economists and engineers were addressed during a debate on the final version of a written accord between the principal governing boards of the Chief Technical Organization [NOT] and the Polish Economics Society. The accord was signed on 26 September. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 41, 7 Oct 84 p 2]

'BUSINESS INTERNATIONAL' IN WARSAW—Representatives of the executive staff of "Business International's" European chapter are on a visit to Poland. Their visit is connected with the "Business International" convention, which will take place in Warsaw from 1 to 5 November and deal with the promotion of trade relations with Poland. This is the largest marketing and contact-facilitating institution in the capitalist countries. It is made up of multinational corporations and major firms in the Western countries. It has been announced that 32 multinational corporations and leading industrial and trade firms from 10 Western countries will take part in this convention. The participants will also hold direct talks with Polish trading partners. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 41, 7 Oct 84 p 2]

SMALL GAS STRIKES—Petroleum engineers have discovered some small oil deposits in the Lutowska area in the Beskid Mountains, two gas deposits in the area of Blizno and Ujezno in the Carpathian foothills, and also a few natural gas deposits at Niz (one with a yield of nearly 200 cubic meters per minute) [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 38, 16 Sep 84 p 2]

CSO: 2600/55

EFFORTS TO INCREASE UTILIZATION OF PRODUCTION POTENTIAL

Bucharest REVISTA ECONOMICA in Romanian No 38, 21 Sep 84 pp 9-10

[Article by Gheorghe Olteanu of the State Planning Committee: "Increasing the Degree of Utilization of Production Potential as a Major Resource of Increasing Production"]

[Text] In accordance with the provisions of the draft directives of the 13th RCP Congress, one of the fundamental conditions of advancing Romanian economy to higher levels of progress and civilization is accentuating the impact of intensive quality, efficiency, profitability, and competitiveness factors and placing them at the center of efforts designed to achieve a dynamic and balanced economic growth.

As is known, the balanced and consistent development of the production forces by allocating an optimal percentage of the national income to accumulation funds; judiciously distributing investment funds among the various branches and areas of activity; and rationally and economically deploying new economic objectives throughout the country constitute basic guidelines of our party economic policy within the comprehensive development of socialist Romania. Thus, a strong material-technical basis was established during the socialist period, featuring a modern and complex industry, an intensive agriculture, and a great scientific-technical potential.

The technical-economic potential of the country--one of the vital components of the national wealth--which is determined by the volume of fixed assets, currently totals approximately 2,400 billion lei and is 11 times larger than in 1950. The unprecedented development of fixed assets provided the necessary conditions for further strengthening and improving the structure of industrial production by putting into production and modernizing about 18,000 types of machines, equipment, installations, materials, and consumer goods. At the same time, it should be stressed that in the past 20 years some 8,000 major industrial and agricultural-livestock facilities were built and commissioned, facilities which fundamentally changed the entire socioeconomic pattern of the country.

From an economic and social viewpoint, channeling the organizational and creative efforts of each enterprise, section, and work position toward better utilizing all machines, equipment, and installations is a factor of paramount

importance the results of which can be seen in increased production and social labor productivity, greater profits, reduced production costs, and lower investment requirements for new production capacities.

The draft directives of the 13th RCP Congress states that special attention must be paid by each industrial enterprise and central to considerably increasing production and the national income per 1,000 lei of fixed assets. In order to achieve this objective each unit must endeavor to fully utilize its production capacities, improve production and labor organization, strengthen and strictly observe technological discipline, perform capital repairs and technical checks at the prescribed time and quality level, and ensure that all machines, equipment, and installations are utilized as efficiently as possible. At the current stage of development of Romanian economy all these objectives constitute important qualitative factors for more intensively increasing production and the productivity of social labor.

A comparative analysis of the progress recorded in the indexes of utilization of the maximum work time available on metal-processing machine-tools in the first 6 months of the year throughout the industry and major ministries reveals that the achievements attained in this area are superior to those recorded in the same period of the past year. At the same time, the planned indexes for certain groups of basic metal-processing machines such as vertical lathes with a processing diameter of over 6,000 mm (planned 90.0 percent, achieved 93 percent), automatic and semiautomatic lathes (planned 87.6 percent, achieved 88 percent), and gear cutting machines (planned 87.3 percent, achieved 88.6 percent) were exceeded.

It should be particularly noted that the average planned index of utilization of machine-tools was fulfilled and even exceeded in 18 countries, among them Bacau, Braila, Satu Mare, Suceava, Vaslui, and so forth. As for the indexes of utilization of the maximum work time available on basic machine-tools incorporated in specialized technological lines, these were exceeded both throughout the economy (91.2 percent planned, 92.3 percent achieved), and at the major ministries: the Machine-Building Ministry (91 percent planned, 91.9 percent achieved); the Ministry of Electric Engineering Machine-Tools (92 percent planned, 93 percent achieved); the Ministry of Metallurgical Industry (planned 92 percent, achieved 95.3 percent), and the Ministry of Transportation and Telecommunications (planned 92.5 percent, achieved 96.1 percent). A considerable number of major enterprises such as "23 August"-Bucharest, the Pitesti Truck enterprise, the Bucharest Heavy Machinery Enterprise, the "1 May" Ploiesti, the "Electropower" in Craiova, the "Electrobanat" in Timisoara, the Oradea Mechanical Enterprise, and others achieved utilization indexes far higher than those planned, between 94.1 and 100 percent.

Nevertheless, as was stressed at the 20 August meeting of the Political Executive Committee of the RCP Central Committee and at the recent RCP Central Committee working meeting, the average planned index was not attained either in the industry as a whole or at the major ministries. This conclusion can also be seen in the evolution of the degree of fulfillment of utilization indexes established for the main groups of basic metal-processing machines such as:

parallel lathes (achieved 84.9 percent, planned 86.2 percent); vertical lathes (achieved 80.8 percent, planned 83.2 percent); horizontal milling and boring machines (achieved 80.7 percent, planned 82.7 percent); universal and horizontal milling machines (achieved 81.6 percent, planned 82.5 percent); plane-milling machines (achieved 83.5 percent, planned 84.4 percent); gear wheel grinding machines (achieved 83.3 percent, planned 85.2 percent), and so forth.

Although specific measures were established for the complete utilization of all machine-tools, by the end of June this year various industrial enterprises had over 1,800 unutilized machine-tools and technological installations, of which about 640 were basic machine-tools (470 such machines at the Ministry of Machine-Building Industry alone). Compared to the 86.2 percent plan provisions for this period, the index of utilization of the maximum work time available was not achieved either at basic sections and tool workshops, or at indirectly productive sections.

In view of the need to ensure higher rates of utilization of fixed assets, the Political Executive Committee of the RCP Central Committee instructed all responsible and executive bodies to resolutely act to eliminate the deficiencies noted in certain sectors of activity, to ensure that all machine-tools work at maximum capacity, and to implement all the measures required to ensure that the huge technical-productive potential of our economy is fully utilized.

Generally speaking, in their attempts to justify their failure to attain the planned indexes, economic units cite various subjective factors which in fact point to their own failings in organizing the production, in timely securing raw and other materials, in ensuring the continuous running of machines and installations, and so forth. Such arguments can neither ensure the utilization of fixed assets at the planned capacity, nor the steady fulfillment of the itemized production plan. As a rule, such "objective" justifications are only used to mask deficiencies in the enterprise's own activities. Thus, in the great majority of cases in which the planned utilization indexes were not fulfilled, the respective enterprises failed to steadily fulfill the itemized production plan, lagged behind in the achievement of the planned parameters on various new developments, failed to put new capacities into production on schedule and to fulfill the export plan, were behind schedule with repairs and controls, and so forth.

What that means for the national economy, side from an important volume of idle machine-hours, is that the production flow is deprived of considerable material gains, a fact which has direct consequences on the national income and the social product. As is stressed in the draft directives and in the other party documents, the fulfillment of plan tasks requires the implementation of all qualitative factors of development at both macro and microeconomic levels, and one such priority factor is precisely a higher index of utilization of machines, equipment, and installations.

The draft directives feature for the coming period precise guidelines designed to improve utilization indexes and to increase production per 1,000 lei of fixed assets.

One such guideline, on which all collectives of working people must focus their attention, is to judiciously load machines, equipment, and installations in each branch and area of activity, with a view to fulfilling the itemized production plan and expanding programs of cooperation and production sharing with other enterprises. For that purpose, the enterprises must continue manufacturing products which do not require large amounts of energy and fuel, permit a better utilization of raw and other materials, present a high level of sophistication, and have secure markets. At the same time, the machines, equipment, and installations which stand idle in certain enterprises must be put to economic uses.

Similarly, enterprises which request new machinery despite the fact that they do not satisfactorily utilize their own machines and installations and record a low turnover, must cease this practice. All responsible factors in enterprises must grasp that they may only request new machines and equipment in thoroughly justified situations, when production tasks are increased and all internal resources are fully utilized, i.e. when all technological equipment is loaded to maximum capacity.

One means of attaining and even exceeding planned utilization indexes is to strictly observe production programs and to steadily manufacture the range of products planned, while observing quality requirements; this is particularly important for producers which supply other sectors. Any violation of production discipline creates a chain of sometimes insurmountable disruptions in other sectors of material production with unforeseeable consequences for the fulfillment of the itemized plan and for other efficiency indexes.

Aside from these two major guidelines, the draft directives envisage additional important directions of action for the coming period, designed to ensure the fulfillment of the objective established in the area of increasing the utilization index of fixed assets:

- 1) Building and commissioning new economic objectives in accordance with planned schedules and ensuring that they attain their planned parameters on schedule, particularly the parameters which are important for the itemized production.
- 2) Appropriately organizing and performing repairs and maintenance work on all machines, equipment, and installations. Any deviation from the technical-material norms which govern such operations results in excessive wear and tear of subassemblies, parts, and other machine components, and finally puts them out of operation. In order to avoid such extreme situations, the on-schedule performance of checks and repairs must be accompanied by strict observance of machinery utilization norms, thus reducing accidental stoppage to a minimum, since, as is known, they cause great production losses.
- 3) Recruiting and training labor force, and expanding the qualification and advanced training of all working personnel. Since almost 1/5 of the work time lost in the first 6 months of this year was due to lack of labor force, all the ministries, industrial centrals, and enterprises must intensify their efforts and act more responsibly to recruit, train, and improve the skills of the

working personnel. Solving this problem will not only ensure a better utilization of equipment, but will also ensure that machines and equipment are appropriately maintained and run. At the same time, as the party-state higher leadership and Comrade Nicolae Ceausescu personally recommended, more enterprises must ensure that workers man several machines simultaneously. The enterprises have a considerable resource for this in auxiliary workers who, partly through appropriate training, can make up for labor force deficits, especially at new facilities.

For all working people the judicious management of the means of production--machines, equipment, and installations--which are part and parcel of the national wealth constitutes more than just a production task; it is a patriotic duty. In this spirit and as is stressed in the draft directives, optimal solutions must be sought and devised to utilize all fixed assets with maximum economic efficiency and to effectively incorporate them in the production flow.

12782

CSO: 2700/9

BRIEFS

TRADE AGREEMENT WITH DPRK--Pyongyang, 12 Oct (AGERPRES)--A protocol on the exchange of goods and payments in 1985 was signed in Pyongyang between Romania's and Democratic Korea's governments. The document stipulates a 24-percent rise in mutual goods exchanges as against 1984. [Text] [Bucharest AGERPRES in English 1900 GMT 12 Oct 84 AU]

DEEP SEA DRILLING PLATFORM--Bucharest, 13 Oct (AGERPRES)--The Galati shipyard has commissioned a new deep-sea drilling platform--the Atlas. This is the first installation of this kind the Galati yard has built. The first three platforms--Gloria, Orizont and Petromar--are in operation at full capacity, on the Black Sea while Fortuna is soon to leave the yard for Constanta for finishing touches and then for its location. The latest platform is the one to incorporate the highest percentage of Romanian-made equipment--more than 90 percent of all equipment. [Excerpt] [Bucharest AGERPRES in English 1704 GMT 13 Oct 84 AU]

ROMANIAN-SRI LANKA COMMISSION--Bucharest, 15 Oct (AGERPRES)--The proceedings of the fifth session of the Joint Romanian-Sri Lanka Governmental Commission on Economic Cooperation started in Bucharest on Monday. The course is analysed of bilateral economic relations, as well as measures conducive to the further expansion of commercial exchanges between the two countries, to the deepening and diversification of economic cooperation on various planes. [Text] [Bucharest AGERPRES in English 1912 GMT 15 Oct 84 AU]

CSO: 2020/12

LESSONS OF 45-DAY WORK STOPPAGE ANALYZED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1753, 5 Aug 84
pp 16-17

[Article by Milislav Krstic: "The Kratovo Incident--Paradoxes of the Longest Strike"]

[Text] The work stoppage in Kratovo was not generated by social considerations; it represents resistance to forced integration. While the workers in the shops halted production, management kept on working.

Now it is seen only as an incident, although one with no precedent in our previous self-management experience, an unpleasant but instructive incident. The latest news from Kratovo, a small town nestled in the Osogovo Mountains of Macedonia, is surely encouraging. After 45 days of shutdown, the workers of the Indina abrasive cloth factory are back at their machines. The strike, unusual in many respects and the longest in postwar Yugoslav history, is over.

Although the Associated Labor Court of Macedonia has approved the ingenious decision of the Kratovo municipal assembly regarding the introduction of receivership, the workers have finally agreed to assert their suspended self-management rights in another manner. In addition to all this, so reads the news item, they have agreed to make up the "lost" days with overtime and weekend work, in order to alleviate the situation resulting from interruption of production.

While this entire incident was unknown to the Macedonian and Yugoslav public at large 10 days ago, it is the subject of wide discussion now, after the event. For example, the question remains of why this work stoppage was concealed from the public for such a long time.

Genesis of a Misunderstanding

The cause of this work stoppage was neither the shortage of raw materials and spare parts faced by quite a few worker collectives throughout the country nor the problem of marketing the nearly 30 kinds of abrasive products made by the Indina. Nor was the stoppage a consequence of worker dissatisfaction with their individual incomes, which are said to be on the average

higher than the average wages in this republic. The data for 1983 show that about 50 million (new) dinars, almost 8 percent of the total revenue realized, was allocated for the funds of the Kratovo factory. However, many people say that the Indina could have accomplished much better financial results, thanks to its output and the assortment of saleable articles produced. Consequently, the recent events in the Kratovo factory with its 330 employees have not in the least been determined by social factors.

The work stoppage at the abrasive cloth factory began immediately after the decision by the Kratovo municipal assembly to force the Indina, which for years has operated in the black, into receivership. About 120 workers engaged in direct production went on strike as a result of this decision. The only people in the production shops not to strike were those absent at the time, either sick or on vacation. Seven workers had been suspended before the strike.

The suspension of self-management rights at the Indina occurred because the vast majority of the persons in the self-management organs, the sociopolitical organizations in the factory, and the Workers' Assembly refused to accept the proposal by the management structure of Kratovo municipality that Indina be integrated with the enormous Sileks industrial mining complex, which incorporates almost all the industry of this small municipality, agriculture, and even the hotel and restaurant industry of Kratovo. Since the Indina workers have rejected integration with the local complex, which dominates almost everything in the area except the Indina, two private restaurant enterprises, and a small Astib operation, officials of the Kratovo municipal assembly combined the imposition of receivership with accompanying actions: call-up of persons at the Indina Factory liable for military training, introduction of a state of emergency, forced vacations, hiring of 65 new workers, and even dismissals.

The municipal committee of the League of Communists in Kratovo disbanded the factory basic organization of the League of Communists for the same reasons prior to the work stoppage. According to the explanatory document, the party organization at the Indina was abolished for failure to carry out the measures and tasks of the Long-Term Economic Stabilization Program, as well as for "failure to secure conditions for better utilization of capacity and investments, and to expand the material base of the labor organization." It is felt that the communists at the Indina, of whom there are 65, did not intercede strongly enough for effecting integration with the industrial mining complex, working counter to what had been agreed upon in the community. However, this explanation was not accepted, and the Presidium of the Central Committee of the League of Communists of Macedonia canceled the resolution by the Kratovo Municipal Committee of the League of Communists to disband the factory party organization.

This assessment by the community applies in particular to the behavior of Indina director Engineer Miljan Janakijevski, who participated along with his coworkers in preparation of the integration proposal but now appears not to have really believed in it. The proposal, running to about 60 pages, was also drawn up with the assistance of the general director of the Sileks and

his coworkers. The proposal calls for a multiple increase in the output of the abrasive cloth factory and for expansion of the shops with investments of the complex. This document states that one of the smaller shops is currently operating at 20 percent of capacity while others are operating at 50 to 60 percent of capacity, this being, of course, economically unjustifiable.

When receivership was imposed, Indina General Director Miljan Janakijevski and his coworkers, who were assigned to other positions by the receivership instrument, went on vacation or took sick leave.

In Terms of an Imposed Settlement

The workers of the Indina rejected the proposed integration, which was to have assured them greater certainty about their future. In doing so they failed to recognize their own economic interests.

One of the Indina workers told us that "the idea is a good one, but the figures given in the proposal bear little relation to the actual capabilities. The proposed integration would not provide us either with permanent energy sources or with sources of foreign exchange. In particular, no solution was proposed for dependable procurement of the raw materials needed for production of these abrasives. What offends us the most in all this is that there was talk of association without a proper self-management dialogue on an equal footing. Everything was couched in the terms of an imposed settlement; this is best illustrated by the resolution made to introduce receivership."

Another worker, who asked that his name not be published, said that "acceptance of integration would have meant insecurity for us as individuals. The Sileks management informed us that, if we were to be integrated, they would send all 'disobedient' workers to work in the mines."

Since disagreements have been known to exist for a long time among the managers of this small community, such rumors may not be without foundation. They seem to have had the heaviest influence on the negative attitude of the workers of the abrasive cloth factory in their flat rejection of the integration. This was confirmed for us by Dr Aleksandar Donev, president of the Macedonian Trade Union, who stayed in Kratovo on several occasions. "The workers were unquestionably manipulated, chiefly by their managers, but also by the environment in which they live. It was 'explained' to the workers, for example, that they would receive individual incomes of only 3,000 dinars if they were to be integrated with the Sileks. The entire incident was marked by inadequate provision of information for the workers, but also by intolerance on the part of the municipal authorities. The municipal union leadership in particular failed."

"Personal Questions"

Aleksandar Donev has his own view of the entire Kratovo "incident". Only persons engaged directly in production were on strike for almost 45 days.

It is noteworthy that the majority of the employees are made up of 170 management personnel, administrative employees. Integration also appears not to be to the advantage of management. Although the administrative employees rejected association, they did not go on strike. "For that reason we cannot agree that all the blame for the series of misunderstandings that ensued is simply to be placed on the workers directly engaged in production. Where were the sociopolitical organizations in the community, and why was no political action taken?" asks Donev.

Officials of the Macedonian Republic Trade Union Council in Skoplje state that the introduction of receivership in worker collectives, even where there are no valid reasons for it, has become a method of resolving "personal questions." Temporary measures are instituted even in basic schools when the local authorities in a particular commune want to replace a "disobedient" director, in spite of the legal and self-management regulations in force. According to union data, over the last 10 years 162 resolutions regarding receivership have been adopted in Macedonia. In the first 5 months of 1984 alone, municipal assemblies have suspended self-management in 42 worker collectives. The cases are rare in which these measures are justified.

The Presidium of the Macedonian Trade Unions did not give its support to the government of the community for introduction of the mandatory measures at the Indina. "Nor can the union support the work stoppage, despite the self-management and legal provisions currently in force," says Vasko Kostojcinovski, a member of the Presidium. He adds that "Last year in Macedonia there were 35 work stoppages, which lasted from 30 minutes to several days. About 2,500 workers took part in these stoppages; the records show that 9,810 working hours were lost because of the suspension of work. It is typical that they were not 'strikes' aimed against the socioeconomic structure but, to judge by analyses, were an expression of conflict in the collectives due to unresolved self-management and income matters, and to bureaucratic usurpation of self-management rights by management groups and individuals. The Kratovo work stoppage was the 'leader,' at least in number of days."

We found that the union also did not support those who would have the strikers branded as lawbreakers.

A comprehensive analysis of the "incident", free of local passions and political bias, should answer the question of why all this came about.

Another paradoxical aspect is that the production workers received only 10 days' pay for the past month, while the management, which "worked" during the work stoppage and thus the suspension of production, received full wages.

In this small town of 6,000 inhabitants, persons thoroughly familiar with conditions maintain that the persons most accountable for the situation which arose are the managers of the Sileks complex and the Indina Factory who for about 15 years have wanted to exploit an unsuccessful integration for their own benefit. If this merely represents business negotiations about "our powerful people," as they say in Kratovo, it is a fact that the

fate of the Indina and its workers was determined by ill-considered administrative and other measures adopted by persons in the large complex who, it must be said, hold almost all the reins of power in this small commune. One thing is certain. The workers will not easily give up the self-management rights they have gained.

6115

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BRIEFS

NEW POWER PLANT--After a trial operation since 3 November 1983, the first generating unit of the Nikola Tesla B thermo electric power plant in Obrenovac was put into regular operations on 21 September. This generating unit is of 620 megawatts and produces 3.5 billion kilowatt hours of electricity annually. During its trial operation, this thermoelectric power plant produced 2.9 billion kilowatt hours of electricity in 10 months. [Summary] [Belgrade BORBA in Serbo-Croatian 22/23 Sep 84 p 1 AU]

TRADE UNION OFFICIAL'S PAY--Belgrade, 26 Sep (TANJUG)--In the first 6 months of this year, members of the Presidium of the Yugoslav Trade Union Federation and members of the Council of the Yugoslav Trade Union Federation working at the Yugoslav Trade Union Federation Council had an average personal income of 55,849 dinars per month. The basic income of all members of the Presidium is 53,460 dinars per month, and for other officials working at the Council of the Yugoslav Trade Union Federation it is 48,224 dinars per month. Their personal incomes differ only according to the level of past labor, which amounts from 2,171 to 9,335 dinars per month. The officials working at the Council of the Yugoslav Trade Union Federation receive no other income in the form of benefits. For several years, officials of the Council of the Yugoslav Trade Union Federation have not received a subsidy for an annual vacation. It was proposed that this sum, which should this year total 5,395 dinars, should be sent as assistance to the Kopaonik earthquake fund. [Text] [Belgrade BORBA in Serbo-Croatian 27 Sep 84 p 3 AU]

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